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Algeria....6.00 Din. Austria....17 S. Bahrain..0.650 Din. Belgium....37 B.Fr. Canada....C.$ 1.10 Cyprus....525 Mils Denmark..7.00 D.Kr. Egypt....100 P. Finland....6.00 F.M. France....5.00 F. Germany..2.20 D.M. Great Britain..40 P. Greece....60 Drs. Iran....175 Rials Israel....I.S. 49.00 Italy....1200 Lire Jordan....450 Fils Kenya....Shs. 16.00 Kuwait....500 Fils Lebanon....LL 4.50 Libya....L.Din. 0.35 Luxembourg..38 L.Fr. Madeira....80 Esc. Malta....35 Cents Morocco....5.50 Dh. Netherlands..2.50 Fl. Nigeria....170 K. Norway..6.00 N.Kr. Oman....0.700 Rials Portugal....70 Esc. Qatar....6.50 Rials Rep. of Ireland 60 P. Saudi Arabia 6.00 R. Spain....90 Ptas. Sweden..6.00 S.Kr. Switzerland 2.00 S.Fr. Tunisia....0.500 Din. Turkey..T.L. 200.00 U.A.E.....6.50 Dirh. U.S. Mil. (Eur.) $0.85 Yugoslavia....76 D.

U.S. Rejects Appeal To Widen Role of Troops in Lebanon

By Bernard Gwertzman

New York Times Service

WASHINGTON — The United States and the other Western nations with forces in Lebanon have turned down a Lebanese government request that they enter the Chuf area around Beirut and try to halt the civil strife there, according to Secretary of State George P. Shultz and other administration officials.

Speaking Friday to reporters aboard his air force plane as he returned to Washington from Madrid, Mr. Shultz said President Amin Gemayel of Lebanon asked the United States, Britain, France and Italy last week to broaden the scope of the peacekeeping force and move into the area recently vacated by Israel.

But he said "under the present circumstances, there isn't any disposition to change our mission" in Lebanon.

President Ronald Reagan also indicated Friday that he contemplated no change in the mission of the U.S. forces.

"We are not planning on expanding the forces that are there," he said during a telephone question-and-answer session with the Republican Western Regional Conference in Scottsdale, Arizona.

He described the fighting for the first time as "a civil war" that he had not anticipated when he authorized the disptach of U.S. marines nearly a year ago.

"I don't think we were prepared for, or believed there would be an outright civil war as there seems to be going on right now," he said.

The disclosure in Washington came as efforts to arrange a cease-fire in Lebanon faltered and Druze militiamen laid siege to Christian enclaves in the Chuf mountains.

As defined again Saturday by a senior State Department official, the principal mission of the approximately 5,400-member force, of which 1,200 are U.S. marines, is to demonstrate political support and to add to the stability of the Lebanese government. But it is not, he said, to use force to settle differences among the Lebanese factions.

Mr. Shultz said: "It's fundamentally up to the government of Lebanon to come to grips with their own internal situation."

He said the United States was working hard, primarily through its special envoy, Robert C. McFarlane, to achieve a cease-fire and political settlement among the Lebanese.

Because of the intensified fighting, Mr. Reagan approved the moving of an additional 1,900 marines to positions off the coast of Lebanon, and he told the marine commander in Lebanon that he should call upon whatever forces were needed to protect his soldiers. But Mr. Shultz said that there were no plans to have the additional marines land in Lebanon.

The other nations involved in the international force do not intend to build up their forces either, Mr. Shultz said. He conferred with the foreign ministers of the other three participating nations in Madrid on the Lebanese situation on Thursday.

Mr. Gemayel had asked the Americans, British, French and Italians to increase the size of the force to about 12,000, an official said Saturday, but this was ruled out by all four countries.

Beirut's Army Is Said to Face Several Forces

Compiled by Our Staff From Dispatches

BEIRUT — Battles in the mountains near Beirut intensified Sunday night amid allegations that Syrians, Palestinians and Iranians were fighting the Lebanese Army alongside anti-government Druze and leftist militias.

U.S. Marine peacekeeping troops, meanwhile, came under bombardment for the first time in three days Sunday.

Rockets and possibly artillery shells slammed within and just outside the marine perimeter at Beirut airport, forcing the multinational unit into full alert at 9:30 P.M., Warrant Officer Charles Rowe said.

He said the marines returned some light arms fire with automatic rifles and that the bombardment was launched from Druze strongholds in the Chuf mountains.

A Lebanese government spokesman said the barrage was part of a Druze militia offensive that included shelling of army positions.

The main area of fighting appeared to be around Souq el Gharb, about 9 miles (15 kilometers) from the center of the city, where anti-government forces have repeatedly attacked Lebanese Army positions in recent days.

Lebanese officers and Western military officials separately alleged that foreign soldiers were involved in three assaults Saturday night on Souq el Gharb.

The Western officials said a force of 2,000 men, including Syrians, Palestinians and Iranians, killed 14 Lebanese Army troops and wounded 28 in one attack.

Earlier, the Lebanese Army showed reporters three bodies from the night's fighting, saying one of them was Syrian and the others Palestinian guerrillas. An army spokesman produced identity documents he said belonged to the Syrian and one Palestinian. No documents were found on the third body.

The Western officials, quoting Lebanese officers, said some of the attackers spoke with Syrian accents and some Palestinian. Others spoke a foreign tongue and were apparently from Iran, they said. The raiders crept up on army soldiers and set upon them, dismembering a company commander with a hatchet, the officials said.

The Iranians were thought to be Revolutionary Guards based in Syrian-held areas of Lebanon's Bekaa valley, they added.

In Jerusalem, a senior Israeli official alleged that 1,000 Palestinian guerrillas were fighting alongside Druze and leftist forces battling the Lebanese Army and rightist Christian militiamen.

The Israeli military command said Sunday it had sent armored anti-guerrilla patrols north of its Awali river line in southern Lebanon, and senior officials warned that Israel would not tolerate Palestinian guerrilla operations against its forces.

Defense Minister Moshe Arens said at a cabinet meeting Sunday that Israel might strike at Palestin-

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INSIDE

The Associated Press

Policemen carrying a coffin containing the body of a woman that washed up on the Japanese coast. The woman is believed to have been aboard the downed Korean jetliner.

U.S. Says Russians Shot 'Cannon Fire' at 747

By Michael Getler

Washington Post Service

WASHINGTON — A revised transcript of radio transmissions by a Soviet fighter pilot issued Sunday by the State Department shows that the pilot did fire bursts of "cannon fire" in the direction of a South Korean airliner six minutes before he fired two heat-seeking missiles that downed the 747 jumbo jet.

[In another development Sunday, Japanese searchers found the waterproof identification card of a Canadian woman on the Korean plane, "the first definite" evidence from any of the flight's passengers, United Press International reported from Tokyo.]

The revised transcript raises new questions about whether the Soviet Union did, as it has repeatedly claimed, try to warn the Korean pilot that he had strayed far into Soviet airspace, whether the shots were aimed at the plane in an initial effort to shoot it or force it down, or whether the shots were an ineffective means of getting the airline pilot's attention.

In releasing the transcript, however, the State Department maintained that this additional analysis of the tapes "reinforces our belief that the totality of the events remains exactly as stated by the U.S. and Japan."

"The Korean airliner was not aware of the Soviet fighters, nor was it aware that any warning was given. The Soviets consciously made the decision to shoot down the aircraft ... an unarmed civilian airliner, and it cost the lives of 269 innocent people."

A key question is whether the bursts of machine gun, or cannon, fire were with regular bullets, which the airliner pilot is not likely to have seen at night, or were highly illuminated tracer bullets that normally would have been visible.

"If they were all tracers, it's inconceivable that he [the Korean pilot] would have missed all those tracers going by. But if they were shots that are just regular, normal

(Continued on Page 2, Col. 1)

The Associated Press

A man identified as the Soviet pilot who shot down the Korean airliner appeared in a Soviet television interview.

Soviet Fighter Pilot Tells His Side in TV Interview

By Serge Schmemann

New York Times Service

MOSCOW — Soviet television broadcast an interview Saturday night with a Soviet fighter pilot who was identified as having shot down the Korean Air Lines 747 plane on Sept. 1.

The pilot, who appeared to be about 45 with graying, tousled hair, a rugged face and a raspy voice, was not named or identified by rank.

"I had a specific task assigned me," he said, "and I tried to accomplish it as well as possible — a military task, which is the meaning of my entire life."

He sat slouched in an easy chair, dressed in a brown leather jacket, blue cotton pants and blue shirt as he spoke to the interviewer, Alexander Tikhomirov of Soviet state television, on a base on Sakhalin island.

The pilot described his certainty that he was dealing with an "enemy aircraft," and told how he had wagged his plane's wings and fired four bursts of tracer shells along the jetliner's route.

"This, in international code, signifies that 'you're an intruder.'" he said. "He had to answer somehow that 'yes—I'm an intruding aircraft and in trouble,' and I would've helped him if he was in trouble, and if he was an intruder he could have landed on our airfield and we would have sorted it out."

"But he kept flying on the same course and at the same altitude," the pilot said, "and I received a command, a precise and definite command."

The interviewer asked whether he was certain the intruder had been an enemy plane. "Yes, this is what I thought," the pilot replied. "And after it crossed our border it only made me more certain, that this enemy aircraft which had broken into our territory was flying over my home."

Mr. Tikhomirov also spoke to a pilot who was said to have followed the first on his mission, and to a third pilot who had scrambled over the Kamchatka peninsula on the night the Korean Air Lines jet with 269 people aboard strayed over Soviet airspace.

No date was given for the interviews.

The pilot insisted he had seen no lights whatever on the intruding aircraft. The second Sakhalin pilot, who said he had been flying about 7.5 miles (about 12 kilometers) behind the first, asserted that he had concluded from the behavior of the plane "that this is either a spy plane or an aircraft of another type, even a bomber."

Only one of the dispatches by Tass, the Soviet press agency, has up to now suggested that Air Defense Forces might have taken the Boeing 747 for a bomber, and the authoritative government statements have maintained that regional officers were convinced the plane was on a spying mission.

Although the interviews generally followed the official versions of the incident, they included several curious assertions.

The pilot who was said to have downed the airliner, for example, reported that the 747 had maintained "the same course and the same altitude" after he fired warning shots.

Marshal Nikolai V. Ogarkov, the chief of the Soviet General Staff,

(Continued on Page 2, Col. 4)

Nitze Is Given Greater Leeway In Missile Talks

By Leslie H. Gelb

New York Times Service

WASHINGTON — U.S. negotiators at the Geneva talks on medium-range nuclear missiles have been empowered to make new concessions, according to Reagan administration officials.

The officials said President Ronald Reagan gave his approval to seek movement on several issues to Paul H. Nitze, the chief U.S. negotiator, over the Labor Day weekend.

The view of those interviewed was that the new U.S. moves would lead to progress on some issues but not to a major breakthrough in the talks, which have been going on for about 18 months.

Mr. Reagan's approval came after the Soviet Union shot down a South Korean airliner, killing 269 people. Remarking on the timing, one key official said:

"The president has not taken away Nitze's authority to act, but the timing of any new moves on our part has obviously been affected and the whole atmosphere for the talks has been poisoned by what the Soviets did."

Opinion is divided in the administration over how the shooting down of the airliner will affect European receptiveness to the deployment of new U.S. missiles this year. White House and Pentagon officials are said to believe that the U.S. position has been greatly strengthened, while many State Department officials are said to think Europeans remain nervous.

The officials were guarded in what they said about the new U.S. position, but they indicated that Mr. Nitze's room for maneuver might extend to dropping the demand for overall "global equality" in deployed medium-range missiles. Instead, Washington would insist on equality only in Europe at a level of about 300 missile warheads on each side.

In turn, the Soviet Union would have to agree to freeze its forces aimed at Asia at their present level of 324 warheads on 108 SS-20 missiles or make only modest reductions. The United States would have "equal rights" to match this force, but would state that it had "no plans" to do so.

"This would allow the Soviets to keep their superiority in the Far East, but freeze it," said the key official. "Since we have never had plans to offset this anyway, it doesn't hurt us and it still limits the threat to our Asian allies."

The officials said Mr. Nitze had also been given some leeway on medium-range aircraft capable of carrying nuclear weapons. The idea here seems to be to lower the number of Soviet aircraft to be counted, and then freeze the agreed totals on each side.

The two sides are far apart on which aircraft to include. Moscow asserts the United States has an advantage of about 550 to 460, and Washington says the Soviet Union

Despite their public optimism, West German leaders see little hope of an arms accord. Page 3.

has about 2,400, an almost five-to-one superiority. The main difference is that Washington counts SU-17s, SU-24s, and MiG-27s, and Moscow does not.

Administration officials believe Moscow has conceded the U.S. point that there be separate ceilings for missiles and aircraft.

But officials noted that neither move — the Europe-only ceiling and the adjustment of numbers and freezing of aircraft — goes to the two key issues of the negotiations. Washington insists on equality of missiles in Europe, which would mean that the Russians would have to cut their present force of about 450 missiles facing Europe and agree to new U.S. deployments.

Moscow refuses to agree to any new U.S. deployments but is willing to accept equality in missiles and warheads with French and British forces. Washington rejects any inclusion of the 162 French and British missiles.

U.S. officials said there is no prospect of movement on the key issue of verifying any accord on medium-range forces. U.S. negotiators had promised their Soviet counterparts a detailed verification plan, but studies on this question are still mired in the bureaucracy, officials say.

Administration experts reacted with some skepticism to reports, based on a conversation between the West German foreign minister, Hans-Dietrich Genscher, and the Soviet foreign minister, Andrei A. Gromyko, that hinted that Moscow might be willing to consider dropping its demand to include French and British missiles in the medium-range category.

Some interest was aroused by Mr. Genscher's statement that Mr. Gromyko told him last week that British and French systems had "two faces," strategic and medium-range.

Police in Rio Confront Food Rioters

Economic Crisis, Provocateurs Are Blamed for Attacks

By Warren Hoge

New York Times Service

RIO DE JANEIRO — Rio de Janeiro's entire police force has been put in the streets to try to halt invasions of food stores by residents of the city's poor neighborhoods, officials say.

The attacks on supermarkets, butcher shops and grocery stores, until recently a phenomenon only of northeast Brazil, which is suffering from drought, began here eight days ago.

Mobs chanting, "We are hungry!" and "We want food!" have attacked more than 50 shops and confronted police officers with rocks and sticks.

The looters turned their attention to smaller outlets Friday to elude the platoons of troops posted around supermarkets. By evening three bakeries, three grocery stores and a butcher shop, all in poorer communities on the city's outskirts, had reportedly been attacked.

Police officers were able to turn back the looters at one supermarket, but Friday night they stepped up their vigilance because of reports from informants that more assaults were planned.

Various authorities have acknowledged that Brazil's economic crisis, which has produced increases in unemployment and in the cost of living, is fueling the outbreaks. But they also said the lootings showed too much organization to be purely spontaneous.

Government workers have been affixing stickers, saying: "Beware of provocateurs in the area. Don't pillage. The government is with you."

The socialist governor of the state of Rio de Janeiro, Leonel Brizola, said in a broadcast Friday that the lootings were being organized in nighttime meetings and that one of the tactics was to put women and children in the front ranks to confound police efforts.

The 34,000 civil and military police officers being mobilized had been instructed to avoid violence, using tear gas and firing into the air. Two teen-agers, however, were wounded Thursday. Both were shot in the hand.

Police officials said they could not identify the inciters, but Governor Brizola said in a radio address that they were from "the extreme right." He said they were interested in destabilizing his six-month-old state government and provoking federal intervention.

"I know the left from long experience, and they don't operate this way," he said. "In Argentina it was the same thing. When they wanted to re-establish the dictatorship, this is exactly what happened."

In Brasilia, Brigadier General Waldir de Vasconcelos, head of the Joint Chiefs of Staff, said that the riots were not "ideological" and that the federal government did not intend to step in.

The outbreaks were the latest in a series of uprisings in response to the recession, which is in its fourth year.

The squeeze on the population is being tightened by economic measures to curb foreign indebtedness. Brazil's foreign debt of $90 billion is the largest in the developing world, and financial officials are negotiating a standby loan agreement with the International Monetary Fund and a rescue package with international bankers.

The principal element in the consumer price increase of 9.5 percent for August was food. Three of the items were coffee, beans and rice, staples of the Brazilian diet. A fourth, macaroni, stemmed from the withdrawal of government subsidies to wheat growers.

Brazil to Ask Creditors For $8.5 Billion More

By Juan de Onis

International Herald Tribune

BRASILIA — Brazil will ask its creditors for new loans totaling $8.5 billion as soon as the International Monetary Fund approves a new two-year program designed to increase exports and reduce inflation, Finance Minister Ernane Galveas said Sunday.

Mr. Galveas made the statement in an interview before leaving for Washington and New York to meet with officials and representatives of creditor banks.

He said that Brazilian officials were confident that Jacques de Larosière, the IMF's managing director, would inform the banks of his approval of the Brazilian plan before the IMF and the World Bank begin an annual meeting later this month in Washington.

"We have full agreement at the technical level and also higher," Mr. Galveas said.

The $8.5 billion in loans, Mr. Galveas said, would come in addition to credits already granted but being withheld because of Brazil's failure to meet austerity targets called for in previous agreements with the IMF and creditor banks.

The new loans would be broken down into $4 billion this year and $4.5 billion next year, to allow the country to balance its foreign payments account.

Since June, the IMF has suspended disbursements from a $5.4-billion "extended facility" loan to Brazil because of its failure to meet targets for reducing public deficits.

In turn, the suspension has prevented Brazil from gaining further access to credits from the private banks that hold most of the country's $90-billion foreign debt, the largest in the developing world.

Brazil stopped making payments last month both on the principal of its debt and on an estimated $2 billion in interest payments that have come due since May. Among the delayed payments is $400 million owed to the Bank of International Settlements.

Mr. Galveas said that interest payments, including arrears, would be resumed as soon as the IMF approves the new economic plan and the private banks lift their restrictions on access to several lines of credit, including $4.4 billion in loans that were signed in February.

The calculations that Brazil will

(Continued on Page 2, Col. 4)

The Associated Press

More than 250,000 people attended a Mass celebrated by Pope John Paul II in Donaupark, Vienna, on Sunday.

Pope Calls for Superpower Talks 'in Good Faith'

Compiled by Our Staff From Dispatches

VIENNA — John Paul II, in the first papal visit to Austria in two centuries, issued Sunday a strong appeal to the superpowers to negotiate for peace in good faith, denouncing "deceitful cunning, falsehood and intrigue" in international affairs.

The pope's remarks to the Vienna diplomatic corps came on the second day of his Austrian visit. It was delivered at a time when the international atmosphere is tense because of bitter exchanges between the United States and the Soviet Union over the downing of a South Korean jetliner with the loss of 269 lives. While the superpowers have resumed talks in Geneva on reduction of nuclear arms in Europe, many officials in Western Europe have said they are not optimistic about the chances for success.

Although the pope did not refer to the United States or Soviet Union, he said:

"The clamor for peace, which is growing ever louder in the hearts of men and in the streets and squares in many parts of the world, seems to support the fears of those who refer to the present situation in the world as a transition from the 'postwar' to a new 'prewar' stage," John Paul said.

"Thus today, perhaps more urgently than in the past, we need the courageous and steadfast efforts of a skilled diplomacy that attempts with patience and perseverance to confront the voice of violence with the voice of reason, to alleviate existing tensions and to always keep the door open for dialogue, so that man's call for peace will not one day be suddenly smothered in the noise of weapons.

"What is called for above all is an honest and sincere diplomacy that renounces deceitful cunning, falsehood and intrigue, which respects the legitimate claims and demands of the partners and paves the way for a peaceful solution to bilateral and international conflicts by means of a willingness to negotiate."

Acknowledging that "in the final run, the decisive resolutions are made in the field of politics," he urged the diplomats to use their "special position and knowledge" to influence the decisions of their governments in a positive way.

At an earlier reception given by President Rudolf Kirchschläger, the pope stressed that the church was not a political institution.

Twice on Sunday John Paul delivered strong condemnations of abortion.

In a homily before 270,000 faithful shivering through a rainy Mass at Donaupark on the banks of the Danube, the pontiff described abortion as "an evil that we have not yet found the right way to curb, and the horrible nature of which far too few people have yet come to understand."

If "the ultimate values are no longer respected, marriages and families will break up and there will be no respect of the life of others, especially of the unborn, the old and the sick," he said.

Church sources said that the pope's exceptionally strong language stemmed from the fact that Austria, despite its 88-percent Catholic population, has for several years allowed abortion on demand during the first three months of pregnancy.

On Saturday, John Paul, clearly addressing problems in Austria's Communist-ruled neighbors, appealed to Christians to intervene on behalf of those who suffer persecution for their religious beliefs.

He noted, in a clear reference to the Soviet bloc countries, that "not all of Europe is free from foreign domination and violence of war, free from an immediate external threat, free from grave internal conflict."

U.S. Immigration Reforms Threatened by Torrent of Fake IDs

Trafficking in Counterfeit Papers for Illegal Aliens Is So Vast That Proposed Legislation May Be Unworkable

By Wayne King

New York Times Service

HOUSTON — An enormous traffic in fraudulent documents among illegal aliens in the United States threatens to defeat the intention of major legislation now pending in Congress to change the immigration system, according to officials in the border state of Texas and in Washington, D.C..

According to testimony before a Senate bearing by a convicted counterfeiter of such documents, as many as five million bogus credentials allowing illegal immigrants to get work, attend school and receive various benefits may be in circulation. These include fraudulent Social Security cards, birth certificates, driver's licenses and passports.

In a report issued in May, the Senate permanent subcommittee on investigations estimated that "the economic impact of false identification fraud on government and commerce" may exceed $24 billion annually.

In Texas, which shares 1,250 of the 1,952 miles of border (2,000 of 3,123 kilometers) between the United States and Mexico, a study commission concluded in an interim report on immigration policy in June that the pending Immigration Reform and Control Act of 1983 cannot work as long as document abuse is so widespread.

Supporters of the legislation have expressed concern about potential enforcement problems as well, so the Senate-approved version of the bill calls for a "secure verification system" if present methods prove inadequate after three years.

But such a prospect, which could include the reissuing of all Social Security cards or the mandatory use of a "worker verification card" for job-seekers has caused concern among civil liberties groups.

The legislation, known as the Simpson-Mazzoli bill, after its authors, Senator Alan K. Simpson, a Republican of Wyoming , and Representative Romano L. Mazzoli, a Democrat of Kentucky , has been hailed as a means of halting the flow of millions of undocumented workers pouring into the United States and as a solution to the problem of what to do with the millions of others already there.

The two key provisions of the bill would institute sanctions against employers who hire undocumented workers and would grant legal resident status, either temporary or permanent, to illegal aliens who have been in the United States for a certain period of time.

This amnesty would apply to those who have lived in the United States for either one or two years, depending on the version of the bill, and who have thus presumably established family, community and economic ties there.

However, officials in Texas, California and other border states, as well as congressional aides, say that neither of the two key provisions will work in the midst of wholesale document fraud.

The report of the Texas panel, for example, observed that extensive testimony and data from both the national and state level "established the fact that there is extensive counterfeiting, trafficking and unauthorized use of personal identification documents in order to secure employment and to receive certain public services."

The report warns that such widespread abuse "raises serious questions as to the effectiveness of any employment sanctions that rely upon the presentation of such documents to prove eligibility for employment."

The same is true of amnesty provisions in the Simpson-Mazzoli bill, in the view of the chairman of the Governor's Task Force on Immigration, Charles C. Foster.

"The immigration people told me in a briefing," Mr. Foster said, "that there are six million people out there who could apply for legal status. They think that of the six million potential, only 2.5 million will take advantage of it.

"I say if there are six million who could and should apply, then 7.5 million will actually apply, because for every one who can apply legally, there are others who will illegally. They are going to come out of the woodwork."

He conceded that the bill would have some effect, but added: "Anyone who wants to violate that law, there is a wide open loophole, because you can go out and get United States birth certificates, and the irony of that is that the birth certificate is the key to the whole thing. With that you can walk in and get a passport, a Social Security card, and you're as good as a citizen."

Mr. Foster noted as an example of apparent birth certificate fraud the fact that the state of Texas had recorded 105 instances of more than five requests for the same birth certificates.

From 1970 through 1977, Immigration and Naturalization Service officials arrested 29 persons in four states, all holding copies of the same valid birth certificate identifying all 29 as the same U.S. citizen, Lupe Torres.

The Social Security card also is easily forged or altered.

Already, the Social Security Administration is planning to replace its card with what it describes as a "tamper resistant" card.

Another possibility that has been suggested is the issuance of an entirely new document, a "worker verification card," that could be presented to an employer to establish that the prospective employee is in this country legally and entitled to work.

This prospect has caused particular concern to civil liberties groups, including the American Civil Liberties Union.

According to an ACLU newsletter, the bill could lead to development of a data bank or national system of identification cards within three years of passage.

The newsletter also asserted that the requirements could lead to discrimination against Hispanic people who are in the United States legally by encouraging employers to "play it safe by hiring only those who are obviously citizens" and avoiding those who are "foreign-looking."

WORLD BRIEFS

Hernu Says Fighting Is Over in Chad

PARIS (Reuters) — Defense Minister Charles Hernu, saying that hostilities have ceased in Chad, has stressed that priority be given to negotiations.

"Fighting has stopped in Chad since the French contingent arrived. A peaceful situation is prevailing. Diplomacy must have the edge now," Mr. Hernu said in a television interview Saturday.

France has sent 2,500 troops and combat aircraft to Chad and has set up a defensive line, but Chad wants the French troops to join an offensive to recapture the north. The government of President Hissène Habré has criticized French troops for avoiding clashes with Libyan forces supporting rebels, led by former President Goukouni Oueddei.

Chad's information minister, Mahamat Soumaila, warned last week of an imminent attack by rebels and Libyan forces, but he conceded Saturday that no assault had taken place. Mr. Soumaila has said that the rebels were under orders to attack a government outpost about 375 miles (600 kilometers) north of Ndjamena, the Chadian capital.

Argentina Lifts Ban on Isabel Peron

BUENOS AIRES (Reuters) — Argentina's military government has lifted a ban that prohibited former President Isabel Perón from holding public office, but Peronist leaders said the move had come too late.

The ban was automatically imposed in 1981 when a court sentenced Mrs. Perón to eight years in prison for embezzling public funds during her time as president between 1974 and 1976. Peronist leaders have always said that she was innocent, claiming she was imprisoned for political reasons after she was deposed in a military coup.

The former president had been expected to return from exile in Spain for the Peronist national congress last week, and party leaders accused the government of waiting until Friday night, after the congress ended, to lift the ban.

Riot Police, Socialists Clash in France

DREUX, France (UPI) — Riot police clashed with thousands of Socialist demonstrators Sunday when an opposition alliance won city hall elections considered a test for France's Socialist-led government and its immigration policies.

Two policemen and four demonstrators were hospitalized when more than 3,000 voters hurled stones at election postings that showed a victory for a conservative candidate allied with an extreme rightist party campaigning to oust immigrants.

The conservative alliance was elected to head the industrial town 50 miles (80 kilometers) southwest of Paris with 55.44 percent of the vote, compared with 44.56 for the Socialists.

Power System on Satellite Repaired

DEARBORN, Michigan (AP) — The solar power gear of India's new weather and communications satellite, jammed for nearly a week, opened up Saturday after frozen hinges were warmed by the sun.

The solar array was fully deployed after controllers turned Insat-1B so the hinges faced the sun, said William Sheehan, spokesman for the Ford Motor Co. The company's subsidiary, Ford Aerospace & Communications Corp., built the satellite, which was launched into space by the U.S. space shuttle Challenger.

Insat 1-B ran into trouble last Sunday when its solar array, five panels of light-absorbing cells designed to power the unmanned craft during its seven-year lifespan, failed to open fully, said the mission director, J.P. Singh of the Indian Space Research Organization in Bangalore, India.

Guatemalan Leader's Sister Seized

GUATEMALA CITY (UPI) — Four men abducted the sister of the Guatemalan chief of state, General Oscar Mejia Victores, in the second kidnapping of a sister of the head of government in three months, the army said Sunday.

Celeste Aida Mejia de Velasco, 54, was seized Saturday when she left the hospital where she works as a volunteer. No group immediately claimed responsibility for the kidnapping. The army said that General Mejia Victores would not negotiate for her release.

The general took power in an Aug. 8 military coup that deposed President Efrain Rios Montt. General Rios Montt's sister, Marta Elena Rios Montt de Rivas, 37, was kidnapped on June 29 by the Rebel Armed Forces, or FAR, a leftist guerrilla group that has demanded that a political manifesto be published in Central American and Guatemalan newspapers before she is released. The manifesto has not been published, and there has been no word of Mrs. Rivas.

3 Russians Are Expelled by Ireland

DUBLIN (Reuters) — The Irish government has expelled two Soviet diplomats and the wife of one of them, saying they were guilty of "unacceptable" activities, a term that is usually a diplomatic euphemism for spying.

Irish officials said the move was in no way related to the destruction Sept. 1 of a South Korean airliner by Soviet aircraft. But the Soviet Union's chargé d'affaires here, Mikhail Sobolev, said Sunday that the expulsions were linked to the airliner incident, in which 269 people died.

"I believe what has happened is connected with the hullabaloo over the Korean jet, if not directly connected," he said. Mr. Sobolev also said he regarded press reports suggesting the three were part of a spy ring as slander.

Closing of U.S. Greek Bases Pledged

SALONICA, Greece (AP) — Prime Minister Andreas Papandreou said Sunday that U.S. military installations in Greece will definitely be closed after an agreement signed last week expires in 1988. He also accused the conservative opposition of "serving American interests and undermining our nation" by asserting that it was an agreement for an indefinite period.

The accord, which covers the continued operation of four bases, will go into effect by December 31, 1983, and will expire by December 31, 1988. Speaking to journalists in this northern Greek city after the opening of an International Trade Fair, Mr. Papandreou said "The political will exists to terminate the presence of the bases in Greece after five years."

His Socialist government's term in office runs out in 1985, three years before the agreement is due to expire. The agreement says that "it is terminable after five years upon written notice by either party to be given five months in advance."

Specialists Cite Satellite Capabilities, Scoff at Contention 747 Was Spying

By Drew Middleton

New York Times Service

NEW YORK — Soviet contentions that the Boeing 747 shot down by a Soviet fighter Sept. 1 was an espionage plane are scoffed at by U.S. and NATO specialists and others who know the capacity and uses of U.S. reconnaissance satellites.

Marshal Nikolai V. Ogarkov, chief of the Soviet General Staff, at a news conference Friday in Moscow, accepted the "spy plane" concept and also said a U.S. RC-135 long-range reconnaissance plane had been found on the route of the Korean Air Lines 747.

The U.S. and North Atlantic

NEWS ANALYSIS

Treaty Organization specialists said satellite pictures were the mainstay of visual intelligence. Pictures taken from satellites flying at an altitude of 100 miles (162 kilometers) or more have, in one instance after magnification, shown the bolts on the deck of a Soviet cruiser.

In another picture, a man was seen perusing Pravda, the Communist Party newspaper, on the street of a north Russian town. The newspaper's nameplate, the specialists say, was clearly visible.

Why, specialists ask, go to the trouble of rigging a 747 with cameras when the satellites tell it all? In any event, they said, the United States has other aerial means, such as the SR-71 Blackbird, for strategic reconnaissance.

Marshal Ogarkov's allusions to the 747 as a spy plane caused speculation among intelligence sources about how much the Soviet Air Force knows about the capacity of the satellites.

The United States has refused to allow publication of satellite pictures because U.S. technology in this field is believed to be far ahead of that of the Russians. In the international intelligence business it is taken for granted that there is no major Soviet base or troop command center that has not been photographed by the satellites.

"We know what they have," an official said. "Everything is known except their intentions. But there is no sense in telling them exactly how we know."

Marshal Ogarkov also said a U.S. long-range RC-135 had been found on the 747's route east of Kamchatka.

U.S. sources, while conceding that RC-135s and other planes fly along the periphery of Soviet airspace, said they were not intended to take pictures, but for electronic monitoring of missile tests to learn whether the missiles are in accord with U.S.-Soviet arms agreements.

Soviet reconnaissance planes and intelligence ships similarly monitor U.S. missile tests in the Pacific.

Many Soviet missiles land in the Sea of Okhotsk between Kamchatka and the Siberian mainland.

Soviet emphasis on the 747's flying close to two military bases confirms reports of the importance the Soviet armed forces give to their Far Eastern installations.

One reason is that Soviet nuclear submarines of the Pacific Fleet are now based at Sovetskaya Gavan on the mainland west of Sakhalin.

The Japanese Defense Agency in a recent report said the Soviet Union had deployed 2,100 planes, including 440 bombers and 150 reconnaissance planes, in the Far Eastern Command. The bomber force includes at least 70 Tupolev Backfire bombers.

One reason for the high number of reconnaissance planes in the Kamchatka-Sakhalin region, intelligence officers said, is that they are required for reconnaissance of U.S. missile tests in the Pacific and of U.S. and other naval deployments in the Sea of Japan.

Marshal Ogarkov also made a point of the fact that both the RC-135 and the 747 were operating in "the dead of night" and at "high altitudes." This should not have surprised him, intelligence sources said. The 747 was on a regularly scheduled flight and reconnaissance planes can operate at night and at high altitudes when they are concerned with radar intelligence.

Was the RC-135 using the 747 as a decoy that would force the Russians to illuminate their radar installations? The question has been asked by several nonmilitary experts on electronic warfare. It is possible, an Air Force officer said, but not probable. He said the location of the radar installations had been registered in the past by RC-135s and had certainly been picked up by satellite photographs.

U.S. and NATO experts think Marshal Ogarkov showed a certain naivete in his comments.

"Is he really trying to say that, with all the other means the West has, we would go to the trouble of using an easily identifiable 747 on an espionage mission?" a Canadian source said.

Some officers familiar with the world of international intelligence said the marshal might not be as uninformed as he seemed to be about electronic intelligence.

They suggested that some of his comments might have been intended to elicit information from U.S. and other sources.

United Press International

An identification card belonging to Mary Jane Hendrie of Ottawa was found Sunday on a Japanese beach. It is the first definite personal possession recovered in the search for the passengers of the downed Korean Air Lines plane.

U.S. Says Russians Shot 'Cannon Fire' at 747

(Continued from Page 1)

rounds, they're not visible," said Senator John Glenn, Democrat of Ohio, a former Marine Corps fighter pilot and astronaut and also a candidate for the Democratic nomination for the 1984 presidential race.

The State Department said the new transcript "does not indicate whether the cannon shots were aimed at the KAL plane or were tracer rounds."

The State Departmed also said that radio transmissions between the Korean Air Line pilot and the Narita air traffic control center in Japan continued in a normal fashion until four minutes before the plane was shot down.

Those transmissions, confirmed by the Japanese Foreign Ministry, give no indication that the South Korean pilot saw any tracers or machine-gun fire or had any indication that anything was wrong.

After the downing of the jetliner, the Soviet Union has repeatedly stated that its interceptor pilots "made warning shots with tracer shells along the route of the intruder plane" as a warning signal to the plane that "is envisaged by international rules."

The United States, using the version of the tape recordings previously released, which was played at the United Nations Tuesday, has steadfastly maintained that there was no evidence that shots of any kind had been fired and no evidence that they Soviet Union had attempted warning of any kind or had attempted to force down the plane.

In her address to the United Nations, Jeane J. Kirkpatrick, the chief U.S. delegate, said that "contrary to Soviet statements, the pilot makes no mention of firing any warning shots — only the firing of the missiles which, he said, struck the target."

Mrs. Kirkpatrick, at the time, was relying on the version of the transcript that, until Sunday, had been the official translation of communications by the Soviet fighter pilots to their ground commanders that had been monitered by military electronic listening posts in Japan.

■ Woman's Body Found

In addition to the recovered identification card, searchers in Japan retrieved the decapitated and limbless body of a Caucasian woman believed to be among the 269 passengers on the KAL plane, according to the UPI report.

Police said the identification card of Mary Jane Hendrie, 25, of Ottawa, was picked up on the shore of Omu, a small fishing town on Japan's northern Hokkaido island.

"This is the first definite personal effect we have so far recovered," a spokesman at the Hokkaido regional police headquarters said.

■ 9 Nations Announce Ban

Airline pilots from nine European nations said Sunday they would start a 60-day ban on flights to the Soviet Union Monday in retaliation for the downing of the Korean jet, United Press International reported from London.

The ban by pilots from Britain, France, Italy, Spain, Sweden, Norway, Denmark, Finland and the Netherlands will affect more than 40 flights a week to Moscow.

The boycott is meant to be more than "a demonstration of our revulsion and outrage," said Terry Middleton, general affairs secretary of the International Federation of Airline Pilots Associations, which called for the boycott.

Kaunda Goes to W. Germany

Reuters

LUSAKA, Zambia — President Kenneth D. Kaunda of Zambia left for West Germany Sunday for a four-day state visit and talks on bilateral relations.

United Press International

President Ferdinand E. Marcos signed orders Saturday releasing 37 political prisoners.

Reagan's Trip to Philippines Is Called 'Very Dangerous' by Aquino's Brother

Compiled by Our Staff From Dispatches

MANILA — The brother of Benigno S. Aquino Jr., the assassinated opposition leader, warned Sunday that it would be "very dangerous" for President Ronald Reagan to visit the Philippines in November as planned.

The warning by Agapito Aquino coincided with the scheduled arrival in Manila of a White House advance team charged with planning Mr. Reagan's visit.

Mr. Aquino made the comment to reporters during a rally that opened what was described as a nationwide passive resistance campaign aimed at eventually overthrowing the regime of President Ferdinand E. Marcos.

Mr. Aquino said many Filipinos would view President Reagan's visit as a show of political support for President Marcos, whom they hold at least indirectly responsible for Benigno Aquino's assassination Aug. 21 at Manila International Airport. He said Mr. Reagan was already considered too close to Mr. Marcos by many Filipinos.

"The people do suspect some kind of collusion between Reagan and Marcos," Mr. Aquino said after speaking to about 3,000 people at a school auditorium in downtown Manila. "It makes him an easy target. So it will be very dangerous for Reagan to come here."

Benigno Aquino's assassination has brought growing opposition to the 18-year Marcos regime.

Opposition leaders said Sunday's rally opened the first stage of a nonviolent resistance campaign that would eventually involve strikes, nonpayment of taxes, demonstrations and boycotts of elections and government-related businesses.

One speaker tore, burned and trampled copies of pro-government newspapers, urging Filipinos to support a 10-day boycott of news organizations.

Others announced plans for a boycott of classes and student demonstrations on Thursday, proposed a "people's tribunal" to investigate Benigno Aquino's killing and called for pickets around the homes of cabinet members in an effort to force them to resign.

Mr. Aquino said the millions of Filipinos who publicly mourned his brother's death would eventually be called to participate in a general strike.

He said the protest actions would be peaceful and nonviolent "so that we don't attract immediate military reprisals."

Cardinal Jaime L. Sin, the Roman Catholic archbishop of Manila, officiated Sunday at what was called a Mass of reconciliation at Manila cathedral and indicated he was disappointed that President Marcos had released only 37 political prisoners Saturday to mark the president's 66th birthday Sunday.

Archbishop Sin, at times wiping tears from his eyes, said he had "hoped and prayed" that President Marcos would release all of the estimated 900 political prisoners in the Philippines.

"I was crying for my country," he told The Associated Press later.

Government critics and human rights groups said the release order was a poor attempt by President Marcos to placate growing opposition to his rule.

Corazón Aquino, the opposition leader's widow, said: "I was hoping that he would release all of them."

Those ordered released Saturday had either served their sentences or had been detained for periods equivalent to what their sentences would have been had they been convicted of charges ranging from subversion to rebellion or inciting rebellion, the palace said.

Except for Volker Martin Schmidt, 41, of Hamburg, all were Filipinos being held in military prisons on the southern Philippine island of Mindanao. None is a nationally known opposition figure.

Mr. Schmidt was arrested on conspiracy charges March 24 while doing research for a human rights organization in Davao City, 500 miles (800 kilometers) south of Manila.

Pilot in Russia Relates His Side in TV Interview

(Continued from Page 1)

said Friday that the plane "tried to escape" after the warning shots. Transcripts of the pilot's radio communications with ground bases released by the United States — which contain no reference to warning shots — showed the pilot as saying that the jetliner was gaining altitude.

In the interview, all three pilots also made some reference to seeing the jetliner. The first, who was over Kamchatka, said he had seen no lights on it. "Even on the side of the dark area of the sky," he said, "there were no signs of any illumination on the aircraft."

The two pilots who scrambled over Sakhalin made no reference to lights. But the first noted that "there's a big crew on such a plane," suggesting at least some awareness of its type. The second referred to the "big aircraft," suggesting that even at his distance away he had been able to view it.

The interviews were accompanied by pictures of darkened air defense control rooms with blinking arrays of dials and radar screens.

On one, the reporter showed what he described as a computer reconstruction of the blips of the jetliner and two pursuing Soviet craft, and on another he showed radar images of land and sea to support his contention that the pilot of the straying plane would have known he was off course just by looking at his radar.

At the air defense base on Sakhalin, twin-jet Sukhoi interceptors with long green noses and a white rocket under each wing were shown scrambling under falling sleet to intercept what the reporter said was an American reconnaissance plane that had approached Soviet territory and then swerved away at the last moment.

There are dozens of such incidents each day, he said, and illustrated how the Americans "constantly play on our nerves."

The interviews followed by a day a rare Western-style news conference by Marshal Ogarkov and two senior government officials, who displayed a large map and answered questions for two hours to defend their version of the shooting.

Edited versions of the news conference appeared in all major Soviet newspapers and were shown several times on Soviet television.

■ General Compares Planes

A three-star Soviet general said Sunday it was totally impossible to distinguish a Boeing 747 from an RC-135 reconnaissance plane in the dark, United Press International reported from Moscow.

Commenting on the downing of the South Korean jet, Colonel General Nikolai Moskvitelev said, "The RC-135 reconnaissance plane and the passenger Boeing 747 are of one type. They have the same shape and geometrical design. They have the same air speed."

"The only way to tell them apart is in daylight, visually from a close distance," the general said. "For a pilot to do this at night is absolutely impossible."

Appearing on a weekly television program devoted to military matters, "I Serve the Soviet Union," the general said that on radar the two planes "produce an analagous radar signal."

A Western air attaché scoffed at General Moskvitelev's comment.

"It may be totally impossible for a Russian pilot," he said, "but I don't know of any other pilot in the whole world who could not tell the difference between the two planes."

According to Jane's "All The Worlds Aircraft," an authoritative reference book, the Boeing 747 is 231 feet, four inches in length (about 78 meters) and has a height of 63 feet, five inches. The RC-135 is 136 feet, three inches long and is 38 feet, four inches high.

Brazil Wants A New Loan

(Continued from Page 1)

need $4 billion for the rest of this year and $4.5 billion next year are based on predictions of a significant trade surplus, following the 30-percent devaluation of the cruzeiro in February.

The trade balance through August showed a $4.3-billion surplus, and the target of a $6.3-billion surplus for the end of the year seems attainable if imports are severely curtailed, Mr. Galveas said.

He added that the government has set a target for a trade surplus of $9 billion for next year. This goal takes into account government plans to restrict imports to about $17 billion.

But Brazil's strong trade performance, buoyed by recent improvements in prices for such commodities as soybeans and sugar, has been offset by debt amortization charges that are expected to reach $9.9 billion this year and $7.8 billion next year.

Iranians, Palestinians, Syria Said to Fight Lebanese Army

(Continued from Page 1)

three days earlier without foreign support, chiefly from Syria.

The state-run Beirut Radio reported continued fighting in many other areas as well as Souq el Gharb. It said Lebanese Army positions had come under heavy artillery and small arms fire at Khalde, on the coast road south of the capital.

Military observers said it appeared that the Druze and their allies, after several successes over their Christian rivals, were trying to break through army lines to reach the sea and cut off Beirut from the south.

The Progressive Socialist Party said Druze fighters would allow a Red Cross convoy into a besieged Christian mountain village to aid 25,000 refugees seeking shelter there from the fighting.

The party's leader, Walid Jumblatt, in self-imposed exile in Damascus, ordered the convoy, blocked for three days, to be allowed into Deir el Qamer, an official said.

The Phalangist radio said 30 Christians had been murdered by "socialists" in the mountain village of Ras el Metn. This followed reports in the official media of at least 70 Christians being massacred in the village of al-Bireh.

The Progressive Socialist Party denies that its men have carried out massacres but says Christian militiamen have slaughtered hundreds of Druze.

Mr. Jumblatt on Sunday called for the withdrawal of U.S. marines from Lebanon and spelled out his conditions for a settlement, The Associated Press reported from Washington.

"There must be a new government," he said, specifying "a new president and a new prime minister."

Abdullah Bouhabib, Lebanon's ambassador to the United States, interviewed separately on the same show, said Syria and the PLO were in effect occupying Lebanon because the Gemayel government had already asked both sides to withdraw from Lebanon but neither had complied.

Mr. Jumblatt, asked why his militiamen opened fire on the marines and whether they would fight the U.S. peacekeeping troops if it came to that, said that when his forces are attacked there is no way of knowing "whether it is the Lebanese Army doing it or someone else."

He added: "I have to defend myself."

"Let the U.S. marines go back to the U.S. fleet," he said. "The Lebanese Army and the marines are not helping my people in Lebanon."

Mr. Jumblatt also categorically denied allegations that there were PLO units fighting alongside his militiamen against the Christian Phalangists.

AMERICAN TOPICS

A Twice-Weekly Survey Compiled by Our Staff

The Right's Plight

President Ronald Reagan's response to the downing of the Korean airliner was the latest disappointment for his more conservative allies.

A leading fund raiser for rightist causes, Richard A. Viguerie, said: "It looks like Reagan has put Teddy Roosevelt in reverse: He speaks loudly but carries a small stick."

He and some other conservatives wanted the administration to close U.S. ports to Soviet shipping, cancel all arms control negotiations, expel Soviet diplomatic personnel and revoke the recent agreement to sell grain to the Russians.

Senator Jesse Helms, a leader in the right wing of Congress, was asked as he was leaving for Korea just before the incident whether Mr. Reagan had disappointed him. He replied: "How long a list do you want?"

The list included naming Henry A. Kissinger to head the presidential commission on

UPI

Senator Jesse Helms

Central America, endorsing a five-cent-a-gallon gasoline tax and failing to do more to curb abortion, restrict school busing and work for prayer in public schools.

Mr. Helms praised the president for "making clear that the Soviet Union is moving to dominate the world" and for insisting that the federal government must be fiscally responsible.

To cut deficits, he rejected a tax increase but called for government spending cuts of 10 percent across the board, except for Social Security, the military and interest on the debt.

Spreading the Word

The Voice of America went all out to penetrate the Soviet Union with news of the downed Korean plane. In addition to more than doubling the number of transmitters broadcasting into the Soviet Union, it increased transmission hours by about 90 a day, trying to avoid jamming with multiple frequencies and surprise schedules.

The entire apparatus was on full force Sept. 12 to speed a Russian translation of President Reagan's television speech to Russian listeners, complete with a recording of the pilot saying he had shot down the airliner. To rise to this intensity, the Voice had to use equipment that would have been otherwise undergoing maintenance, so the effort could be maintained for only about a week.

The U.S. Information Agency assembled reaction to the episode from Western democracies and Third World countries. Early returns, an official said, were "very heavy, very negative against the Soviet Union from a wide range of the political right, left and center."

The USIA also made its satellite facilities available so that reporters could interview overseas analysts. An agency team is assembling a one-hour documentary of television coverage of the incident by stations all over the world.

In another example of the USIA's new vigor, the agency recently distributed a film on Afghanistan compiled from reporting by foreign TV crews that had managed to travel with Afghan resistance groups. The documentary cannot be shown in the United States because the USIA charter forbids it to operate in the United States.

Colleges Prosper

U.S. colleges have had a windfall from the year-long bull market: paper gains of nearly $10 billion for their endowment funds.

Harvard University, which has the nation's largest fund, saw its assets soar by $746 million, to $2.4 billion.

The best performance on a single stock was enjoyed by Northwestern University, which made about $12 million on shares in G.D. Searle, the pharmaceutical company.

Many academics fear that the paper profits may not show up in cash-strapped operating budgets, but colleges have other encouraging news.

Private donations two years ago were $4.86 billion, nearly 15 percent more than the previous year. Preliminary figures for last year indicate a similar jump, largely due to increasing private wealth as some of President Reagan's economic policies took hold.

Baltimore Campaign

Mayor William Donald Schaefer of Baltimore looks like a sure winner for a fourth term in this fall's race.

Since becoming mayor in 1971, he has been credited with revitalizing parts of Baltimore into booming tourist and business centers. Tourism has created 16,000 jobs. The sparkling inner harbor area, the two-year-old aquarium, a new covered market in two converted warehouses, neighborhood housing projects and a new mass transit system that will open in November, are prominent examples of the city's new image.

New York Magazine recommends Baltimore to its readers; Time magazine has written extensively about its new face.

Mayor Schaefer, 61, is a bachelor, nondrinker and nonsmoker whose only escape from his job is an occasional fishing trip. He is famous for his personal touch: answering letters of complaint by showing up on a doorstep, calling people on the phone to ask them to return an overdue library book, stopping during a busy official visit to listen to an elderly person's problems.

Mr. Schaefer's challenger in the Sept. 13 Democratic Party primary is William H. Murphy, a former judge whose campaign is aimed at his fellow blacks, a 55 percent majority in Baltimore.

Mr. Murphy says that while the mayor was receiving attention for downtown redevelopment, the problems of unemployment, poverty, housing and education were being ignored. He has preached "creative" city management, but his campaign was damaged in recent weeks when the Internal Revenue Service placed a $242,000 lien on him for unpaid back taxes.

Mr. Schaefer has another edge: He has raised more than $700,000, compared with Mr. Murphy's $100,000.

Notes on People

Cardinal Terence Cooke, archbishop of New York, who is terminally ill with leukemia, has rejected aggressive chemotherapy in order to stay out of the hospital and remain at work in his residence behind St. Patrick's Cathedral. For eight of the 15 years that he has been archbishop, Cardinal Cooke, 62, has been receiving cancer treatments. Suddenly informed that his condition had become terminal, he reportedly chose to stay at work rather than accept the medical treatment because it would cause "a marked change in the dignity of his life."

Claus C. von Bulow, convicted 18 months ago of attempting to murder his wife, **Martha**, with an insulin injection and now awaiting act on an appeal, remains free on $2 million bail in Manhattan, where he is something of a social star. Now he is fighting for control of **Cosima**, 16, the only child produced by the marriage. Seeking custody of her are her half-brother and half-sister, who started the private investigation that led to Mr. von Bulow's conviction. To press his claim, Mr. von Bulow has hired **Roy M. Cohn**, the attorney who worked with **Senator Joseph R. McCarthy**. Last week Mrs. von Bulow was 52, a birthday she passed in the coma that has lasted for three years.

Americana

The author of "Winning Through Intimidation" and "Looking Out for Number One," Robert J. Ringer, has a new book coming out in which he describes a forthcoming calamity, including "the complete destruction of the currency of the United States and all other Western countries"; "severe shortages of the 'necessities of life'"; and "civil disorder and violence of a magnitude never before seen in America." But apparently the apocalypse will not be a total loss for those willing to buy Mr. Ringer's book, whose title promises to tell "How You Can Find Happiness During the Collapse of Western Civilization."

U.S. Envoy Challenges Official Trips

United Press International

WASHINGTON — The U.S. ambassador to France, estimating that travel costs exceeded $1 million for 658 official visitors to this spring's Paris Air Show, has questioned the need for the thousands of U.S. government trips to Europe.

"I doubt if anyone in Washington is aware of the full scope of the problem, its overall cost to the U.S. taxpayer, or the negative effects it can have" in crippling embassy operations, Evan G. Galbraith said in an angry internal cable to the State Department in July.

In the cable, which was obtained by the Better Government Association, Mr. Galbraith complained that his embassy was so burdened with playing host to the air show contingent that its normal operations "ground to a halt."

United Press International

Policemen and protesters shouting "Assassins" fought near a cemetery in Santiago, where a victim of violence during last week's anti-government demonstrations was being buried.

Pinochet Marks 10 Years in Control By Reaffirming His Policies for Chile

Reuters

SANTIAGO — President Augusto Pinochet, speaking on the 10th anniversary of the coup that brought him to power, said Sunday that the economic crisis and anti-government protests in Chile were temporary difficulties and he warned Chileans against what he called the Marxist threat to the country.

In a nationally televised address, General Pinochet reaffirmed his intention of continuing his policies of the last decade.

He castigated political opponents who have organized protests against his rule but said his new interior minister, Sergio Onofre Jarpa Reyes, would continue talks with all those prepared to participate in the building of a new democracy.

Eight people have died in clashes between police and anti-government demonstrators since Thursday.

A total of 40 people have died in protests in recent months. Human rights groups say an estimated 35,000 others have been killed in the last 10 years, most of them in the aftermath of General Pinochet's coup against the elected Marxist government of Salvador Allende, who was killed in the takeover.

"I call today on all Chileans to be alert to defend our freedom and repudiate any seed of totalitarianism," General Pinochet said.

General Pinochet referred repeatedly to the new constitution approved by plebiscite in 1980 which embodies his concept of "protected democracy" and which allows him to rule at least until 1989 to oversee the introduction of his system.

Echoing recent statements by Mr. Jarpa, he said the government would consider the possibility of a new plebiscite to modify sections of the constitution and move forward the election of a congress from the target date of 1990.

He said a social-economic council would be formed to allow labor and business organizations to discuss problems.

Government officials say unemployment and extreme poverty in Santiago's shantytowns led to anti-government protests there.

After four persons were killed Thursday in protests against the regime, the Democratic Alliance, an opposition coalition of political parties, announced it was suspending talks with the government.

There were scuffles Friday as thousands of people marched down Santiago's main avenue to celebrate the 10th anniversary Sunday of the general's rise to power, and police broke up a demonstration by about 600 people who attended a ceremony Saturday to honor Mr. Allende.

Despite newspaper speculation that General Pinochet would announce a change in economic policy in his address, the president restated his faith in free market policies that have met heavy criticism.

The president announced a 15-percent wage increase, effective Jan. 1, for 250,000 public sector employees. Last July he awarded them a 5-percent increase, their first in two years.

Diplomats from the European Community and other countries did not attend Sunday's ceremony, considering it inappropriate to celebrate the anniversary of the coup.

U.S., Latin Nations Agree on Causes And Severity of Debtors' Problems

By Kenneth N. Gilpin

New York Times Service

CARACAS — In weeklong discussions at a meeting sponsored by the Organization of American States, delegates from the United States and debtor nations have agreed on the causes and dimensions of Latin America's $300-billion debt.

The delegates approved a document enumerating the causes of the region's huge debt, from high interest rates to the worldwide recession. And they created a special commission to make recommendations on ways to ease the burden of repaying the loans.

While the document itself, whose 11 points were characterized as a "basis for understanding," contained no revelations, the fact that it was drafted at all was an encouraging sign, according to many of those present.

"This has been a good show," said Riordan Roett, director of Brazilian studies at Johns Hopkins University's School of Advanced International Studies and an observer at the conference. "The Latin countries can go home feeling happy that the United States did not use this meeting as an opportunity to lecture them, but rather as a chance to listen to their concerns and express a willingness to work with them in the future."

Carlos Rodriguez Pastor, Peru's minister of finance, said that "the fact that we have had this meeting closes a chapter on the debt crisis. It will help quiet the political pressure in many countries to do something drastic. That is very beneficial."

Delegates to the conference, which began last Monday, offered a wide variety of prescriptions to ease the crisis of nations simultaneously confronted with severe recession and major loan payments.

"We realize we have mismanaged our affairs in a gross manner and we are paying the price," said Manuel Ulloa, a former prime minister of Peru. "But the other principal actors, including the commercial banks, have not been making any sacrifices."

In general, however, criticism of the way the banks have handled the renegotiation of Latin American debt was kept to a minimum. One delegate from Uruguay, who asked not to be identified, said that "we had no choice but to take the deal we were offered by the commercial banks. But we are satisfied with it."

At a press conference Friday afternoon, Mailson Ferreira da Novrega, general secretary of the Ministry of Finance in Brazil, acknowledged that "the days of abundant liquidity and favorable loan terms are over. We recognize that and have to adapt to new realities."

Mr. Ferreira da Novrega joined other delegates in underscoring the need for Latin American countries to shore up their sagging rates of domestic savings, develop programs to attract foreign investment and reduce public sector deficits.

Before the meeting, there had been some concern that the Latin American nations might use it as an opportunity to band together and repudiate their debts or demand their renegotiation. But the creation of a so-called debtors' cartel, which would have disrupted the world of international finance and destroyed the already shaky credit worthiness of most countries in the region, was never endorsed by any of the indebted nations. Nonetheless, the notion had been voiced by opposition parties in some of the countries and received some attention in the world press.

Despite Optimism in Public, Officials In Bonn See Little Hope of Arms Pact

By James M. Markham

New York Times Service

BONN — Despite expressions of public optimism, senior West German officials have for some time been convinced that the chances are minimal for a U.S.-Soviet accord at the Geneva talks on the limitation of medium-range arms and that the deployment of U.S. missiles in West Germany will start in December.

But in an effort to dull protests against the deployment, both Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher have continued to voice hope for a breakthrough.

Mr. Genscher said Friday in Madrid that Foreign Minister Andrei A. Gromyko of the Soviet Union had hinted that a long-standing Soviet demand to include 162 French and British missiles in the Geneva calculations might be waived. The issue has been a major stumbling block to an accord.

As reported, Mr. Genscher's utterances had the whiff of a Geneva breakthrough about them, making him the bearer of good news.

But in fact Mr. Gromyko's comment emerged merely as a response to Mr. Genscher's having recalled that, in 1980, the Soviet foreign minister had called the French and British missiles "strategic," a long-range weapons category that would exclude them from the talks on medium-range weapons.

According to Mr. Genscher, Mr. Gromyko replied that the French and British systems had "a dual face" and could be considered both strategic and medium-range weapons. Mr. Genscher said this distinction was "remarkable," and expressed the hope that it would mean a new Soviet position.

In the meantime, however, Mr. Gromyko spent a day in Paris where, in talks with President François Mitterrand, he was reported not to have repeated what Mr. Genscher had construed as a possible concession.

As diplomats and politicians in Bonn noted, Mr. Genscher had nothing to lose by going public with what might have been only conversational banter.

If Mr. Gromyko's utterance turned out to be the harbinger of a concession, they said, Mr. Genscher could take credit for it. If not, the Russians would be embarrassed by being reminded that they once considered the French and British systems as strategic.

In light of briefings by Paul H. Nitze, the U.S. negotiator, the West German government has had few illusions for several months about the likelihood of a Geneva breakthrough.

Like Mr. Nitze, Bonn officials have concluded that the talks will become serious only after the first nine of 108 Pershing-2 launchers planned for West Germany become operational on Dec. 15.

■ Bonn Warns of Attacks

A West German government report says leftists are planning violent attacks on NATO installations in West Germany this fall in opposition to deployment of new nuclear missiles here, The Associated Press reported Sunday, quoting a Hamburg newspaper.

A report written by the security authorities in Bonn says members of the Red Army Faction and its offshoot, the Revolutionary Cells, plan the attacks, the newspaper Welt am Sonntag said.

In particular, the paper said, bomb attacks are planned against munitions transports by U.S. troops. Government officials could not be reached for comment on the report.

U.S. Congress Returns From Recess To Begin Work on Crowded Agenda

By Helen Dewar

Washington Post Service

WASHINGTON — International crisis and domestic politics top a crowded agenda of national security and domestic issues as U.S. congressmen return to Washington Monday from a five-week summer recess.

The question is whether Congress and President Ronald Reagan will be drawn together or divided as an election year approaches.

At least at the start, the Soviet Union's downing of a Korean jetliner and the deaths of U.S. marines in Lebanon are likely to deflect attention from Congress' customary preoccupation with money matters as a new fiscal year approaches Oct. 1.

In addition to spending bills, a debt-ceiling extension and several authorization bills that must be acted on by the end of the month, a variety of politically laden domestic issues are high on the list for early action, especially in the Democratic-controlled House.

The Republican majority in the Senate, nervous over whether it will retain control after the 1984 elections, will also increasingly have its eye on political survival.

Republicans suffered a blow during the recess when the chairman of the Armed Services Committee, John G. Tower, Republican of Texas, joined the majority leader, Howard H. Baker Jr. of Tennessee, as a lame duck who is not seeking re-election next year.

There is speculation that one or more others may do the same, especially if the alternative is coming back as a member of a powerless minority.

While Senator Henry M. Jackson death deprives Congress of one of its most forceful champions of defense and critics of the Soviet Union, the outraged response to the downing of the Korean airliner could rally Congress behind the president on national security issues, some leading figures in Congress have said. The question is how much and how long.

Swift action is expected in both houses on a resolution condemning the Soviet action in shooting down the jetliner.

There may also be a push from within Congress for speedy congressional authorization for the U.S. marines to remain in Lebanon, as many lawmakers say is required under the War Powers Act so long as hostilities continue there. But some influential members want the marines brought home, and the authorization could prove controversial, inviting restrictions even if it is approved.

Both houses are expected to act this week on a $187.5-billion defense authorization compromise that gives approval for production of the MX missiles, a new type of nerve gas weapons and most other weaponry sought by Mr. Reagan.

On the House Democrats agenda are two major jobs bills: one to authorize $3.2 billion for local government grants for public works jobs and another to authorize $5 billion for local public service jobs. Like most of the House Democrats' recent jobs initiatives, neither is expected to go far in the Senate.

For the rest of the month, the major business of both houses will be to pass as many as possible of the 13 regular appropriations bills for fiscal 1984.

As usual, the rest will have to be wrapped up into an omnibus stopgap "continuing resolution" to keep the government operating after funding runs out Sept. 30.

Work on the defense appropriations bill, including actual funding for the MX and other controversial weapons, is scheduled to begin this week in the House and shortly thereafter in the Senate. But Representative Joseph P. Addabbo, Democrat of New York, chairman of the House appropriations subcommittee on defense, has indicated he may dawdle over the bill if it appears that the emotional fallout from the Korean air disaster is leading to spending excesses.

The Senate Foreign Relations Committee is scheduled later this month to consider a nuclear freeze resolution, which passed the House earlier in the year in modified form. But the pro-freeze lobby is fearful of an emotional backlash if action comes too soon after the Soviet attack on the airliner. Prospects for Senate approval were considered bleak even before the attack.

Another struggle over an administration-sponsored $8.4-billion increase in the U.S. contribution to the International Monetary Fund is also anticipated. The measure, awaiting a Senate-House conference, faces trouble when it goes back to the House because of Democratic anger over a GOP campaign tract that criticizes Democrats who supported the measure.

Economy Downplayed As Factor in U.S. Voting

By David S. Broder

Washington Post Service

WASHINGTON — Students of voting behavior, using election data from 1980 and 1982, are concluding that the U.S. public is less automatically swayed by economic conditions than sometimes has been thought.

The political scientists are also finding that voters who call themselves independents often in fact favor one of the two main political parties.

These analyses were contained in two of the most discussed papers in a score of studies presented at the American Political Science Association convention during the weekend of Sept. 10 in Chicago.

In the first, Gary C. Jacobson of the University of California at San Diego attacked the economic determinism notion by using the 1982 House election results in an effort to prove that "economic issues exercise no simple mechanical influence over voting decisions."

In the second, six political scientists cited evidence from 1980 to back up their contention, first voiced in 1977, that "most professed independents are really closet partisans" when they vote. Therefore, they said, "the highly publicized decline of the party system" alleged in studies that found "growing proportions of independents is very much exaggerated."

The question Mr. Jacobson posed in his paper was why the Republicans lost many fewer House seats in 1982 than forecast in mathematical models that were based on the president's popularity and the condition of the economy.

One such system had predicted that stagnation of real income and the slump in President Ronald Reagan's popularity would cost the Republicans 58 seats, more than twice the 26 seats they lost.

Mr. Jacobson's answer essentially was that the Republicans, by operating as a party, were able to minimize Democratic gains.

Because national Republican committees had created "a direct-mail fund-raising operation capable of generating a healthy, predictable income regardless of the fluctuations in the political environment," Mr. Jacobson wrote, the party was able to raise $121 million for 1982 and to recruit and train promising candidates in 1981, "when the administration and party were riding high.

"So they were able to field a much more attractive group of challengers than would have come forward on their own once the economy began its nosedive," he said.

"Only one of those challengers actually won," Mr. Jacobson said, but their aggressive campaigns meant the "money available to the Democrats was absorbed — unnecessarily, as things developed — by worried incumbents."

In the Watergate year of 1974, the last time Republican incumbents faced such tough political conditions, Mr. Jacobson said Democratic challengers had more money to spend, on the average, than did Democratic incumbents. In 1982, by contrast, Democratic incumbents spent twice as much as challengers did.

So the Republicans not only had a financial edge but a strategic advantage in the way their money was distributed. They targeted about $2.5 million of late contributions to threatened incumbents; the Democrats spent more than $6.3 million in unspent contributions on 32 incumbents who ended their campaigns with more than $100,000 each in the bank.

Because of their organization and strategy, the Republicans were able to define the issues in 1982 in ways that improved their chances of minimizing losses. The "stay the course" advertising theme worked in two ways, Mr. Jacobson found.

"In districts with Republican incumbents, the key question was whether the voter thought that Reaganomics would eventually help or hurt the economy," he said, adding that "in districts held by incumbent Democrats, the most important economic question concerned which party could better handle inflation."

In their paper disputing the growing influence of political independents, the six political scientists focused on a less publicized part of the voter studies.

Almost all polls ask voters to classify themselves as Republicans, Democrats or independents, then ask the independents whether they lean toward either party or are completely independent. In most Washington Post-ABC News surveys of the past three years, the independents exceed the Republicans and come close to matching the number of Democrats.

But in the Post-ABC polls, like others, most of the independents, when pressed, acknowledge that they lean to one party or the other.

In the most recent survey, for example, completed in August, 35 percent of the self-described independents said they lean toward the Republicans, 39 percent toward the Democrats, and 25 percent say they have no lean at all. Thus the so-called "pure independents" constitute 9 percent of the electorate, as contrasted with the 36 percent who initially call themselves independents.

The crucial question is not terminology but behavior, the political scientists said. They presented evidence suggesting that the "independent leaners" are more partisan than independent in their habits.

Excluding blacks from their tabulations because of what the political scientists called their stronger identification with Democrats, the study found that the leaners "display an impressive tendency to vote for the candidate of the party they feel closer to," in both presidential and congressional elections.

In fact, they found that the leaners "generally are more loyal to their party" than poll respondents who categorized themselves as "weak partisans."

The authors of the paper are Candice J. Nelson of Georgetown University, Bruce E. Eith, Elizabeth Orr, Mark C. Westlye and Raymond E. Wolfinger, all of the University of California at Berkeley, and David B. Magleby of Brigham Young University.

BRIEFS

... Is Over in Ch...

... on Isabel Per...

...ists Clash in Fra...

Satellite Repaired

...ler's Sister Seized

Expelled by Ireland

Greek Bases Pledge

...alestinians, Syri... Lebanese Ar...

INTERNATIONAL Herald Tribune
Published With The New York Times and The Washington Post

And If Gemayel Falls . . .

It is no insult to the marines to observe that they are squatting in Lebanon like dumb ducks, taking casualties for reasons that no one seems able to articulate. It is no insult to President Reagan to observe that he cannot articulate their mission because he can no longer perceive it or be sure about the right moment to end it. The troops and their commander in chief are playing for time, hoping that the moment will nominate itself.

Congress could assert its prerogative by invoking the War Powers Act and belatedly share responsibility for the choice. But the legislators should set no rash deadlines that force the president to assert a nonexistent American interest. Mr. Reagan obviously is stalling uncomfortably, which is not always the worst policy.

When the marines and other allied forces went ashore a year ago, their purpose was to assure the safe dispersal of the Palestine Liberation Organization, keep the Israelis out of Moslem Beirut and provide a shield for a new Lebanese government. Thinking the job done, they departed — only to see Lebanon's new president killed, the Israelis taking West Beirut and helpless Palestinians massacred by vengeful Phalangist Christians. The American, French, Italian and British forces reappeared, to shield an even weaker regime led by the slain leader's brother, Amin Gemayel.

The hope was that he could form a coalition of Lebanon's feudal sects and build an army to pacify their private militias. That was supposed to make the Israelis secure enough to withdraw from Lebanon on condition that Syria ended its eight-year-old occupation as well. These hopes defied Lebanese history and also up-to-date political analysis. But they justified a low-cost stab at reinventing Lebanon, improving the life of a long-suffering people, blunting Syria's expansion and enhancing America's influence in the region.

It has not worked out that way and probably never will. And the costs of keeping Western troops in the crossfire are growing daily. Even if massively reinforced and allowed to pursue their challengers, the marines could not disarm the rival armies or impose a stable order. Indeed, the threat that they will withdraw and leave Lebanon permanently partitioned — dismembered, really — is probably the last good U.S. card. The question is when to play it.

President Gemayel, a Maronite Christian, has clearly misplayed his hand. He let his father's Phalangist forces provoke unnecessary battles against assorted Moslem factions and these are now uneasy allies against him. It is an open question whether the Gemayels still can or want to share enough power to preserve a loose but distinct Lebanon. Their only chance comes through the likelihood that most of Lebanon's Moslems probably prefer a weak but indigenous government to the alternative: the loss of the south to Israel and Syria's domination of most of the rest of the country.

Shielding Mr. Gemayel while he bargains for Lebanon's survival is the only reason for keeping marines in Beirut for a few more weeks. Preserving a nominal Lebanon is a sound but modest American objective but not a vital national interest.

If the sectarian forces of centuries finally pull that society apart, the fault should be seen to be strictly local and not a panic in Washington. Let the marines shoot back when they come under fire, but let no one think that more men or a wider operation will yield anything except more casualties. And if Mr. Gemayel falls, let the marines depart with him. The dozens of tribes that call themselves Lebanese have to make their own deals of mutual survival or accept national suicide.

— *THE NEW YORK TIMES.*

10 Years After Allende

It is only half true that the coup in Chile 10 years ago ended Latin America's longest democratic tradition. The elected president, Salvador Allende, was already losing control of his government to Marxist revolutionaries who did not in the slightest share his democratic commitment. That is why, in the beginning, many Chileans applauded or at least accepted General Augusto Pinochet's intervention. Alarmed by the disintegration around them, they counted on him to return their country to its heritage in a reasonable time.

What they did not count on was that he would abuse his patriotic mandate and thrust on Chile a regime that went far beyond dealing with the emergency at hand, establishing a harsh police state. Tens of thousands of Chileans were killed outside the law, many others were imprisoned and exiled, the natural political tendencies of the country were suppressed, and an economic system was imposed that has meant extreme hardship for most of the people. For turning a national crisis into an excuse for personal dictatorship, General Pinochet will not be forgiven. This explains why most of his countrymen, believing his continuance in power to be a national disgrace, have turned against him now.

General Pinochet appears to think that by superficial concessions he can end the mass demonstrations, still the political unrest and prolong his power for another six years. Meanwhile, he has sent his police into action against demonstrators, peaceful as well as violent. The other day, the police fired a water cannon to block the delivery of a statement demanding his resignation by the Christian Democrats' leader, Gabriel Valdés, who heads the newly organized Democratic Alliance of noncommunist parties. Police also beat Genaro Arriagada, another leading Christian Democrat. And General Pinochet wants to know why the opposition doubts his good faith.

General Pinochet's days, it would appear, are numbered. His policies do not even command the full support of the armed forces. When he goes, it will be through the working of Chilean forces. It is encouraging, however, that the United States, while it is not driving events, has finally stepped back publicly from the general and taken a position in favor of a prompt and peaceful return to democracy.

The Reagan administration, often criticized for tilting toward authoritarian regimes like General Pinochet's, would dearly like to see a transition occur on its watch. It would allow the administration to come forward in Latin America and in general ideological debate as a sponsor of democracy. It would prove its point that authoritarian regimes, unlike totalitarian ones, can move back to democratic rule.

Such results, if they come, are unlikely to erase the widespread impression — much of it myth — that it was the United States that undid the democratic order of Chile in 1973. We accept that the American role was secondary then; Chilean democracy was being grossly abused by Chileans. All the same, the United States made its own distinct and cynical contribution to Chile's breakdown. It would be deeply satisfying to see democracy restored in Chile now, and to see the United States cheering the process on.

— *THE WASHINGTON POST.*

People and Prosperity

Figures just released by the U.S. Census Bureau confirm what professional demographers have known for some time: World population growth is slowing down. There were, the Census Bureau believes, about 4.7 billion people in the world this June — 82 million more than last year. But that represents a growth rate of only 1.8 percent. At the beginning of the 1970s, the growth rate was 2.2 percent. It does not sound like much of a difference, but it made a lot of difference in the quality of life in dozens of less developed countries.

The typical pattern in these countries, and in the world as a whole, had been for death rates to drop because of improved medical care, while birthrates stayed high. Then, as time went on, birthrates too went down. In some places — notably sub-Saharan Africa — population is still increasing at record rates. But in others — notably China, India and Latin America — the rate of growth is slowing. Sometimes, in India and China, for example, some of that slowdown is the result of practices Americans would find repugnant, such as compulsory sterilization and even infanticide.

It should be understood that a rising population is not necessarily a bad thing. The East Asian fringe — the noncommunist countries from South Korea down through Taiwan to Thailand, Malaysia and Indonesia — has had one of the highest population growth rates in recent years, and one of the highest economic growth rates as well. Economic growth in those countries is running well ahead of the number of mouths to feed, and standards of living are rising. It may be that in that region — as in Western Europe and North America in the 19th century — optimism and faith in the future are contributing to population and economic growth. Latin America's very rapid population growth was accompanied, until the recent worldwide recession, by substantial economic growth; everyone in the United States has an economic stake in having that growth continue.

— *THE WASHINGTON POST.*

FROM OUR SEPT. 12 PAGES, 75 AND 50 YEARS AGO

1908: Piracy off the Philippines

MANILA — Eighteen Chinese merchants from Sitanki, the southernmost island of the Philippines, are seeking refuge in Jolo from Moro pirates. Reports of piracy between Sitanki and Borneo, where the richest pearl beds are located, have been received continually in the past month. On July 1 the government abandoned the Customs House at Sitanki because of economy. Chinese arriving at Jolo assert that the depredations by pirates began after the removal of the revenue officers, when the pirates raided the Chinese pearl fisheries, captured a boat and killed its crew. The government will take steps to punish the pirates. Major Barber, "Buffalo Bill's" partner, was at one time collector of customs at Sitanki.

1933: An Anti-German Boycott

NEW YORK — An appeal to all races and creeds to join in boycotting German goods, shipping and services until Hitlerism is destroyed or the German government's anti-Semitic policies change was launched by Jewish leaders, with a number of prominent Gentile sympathizers, at a meeting of the American League in Defense of Jewish Rights. The meeting asked all Jewish communities in the United States to make contributions. "If this movement," former Governor Alfred E. Smith said, "was to remove from Germany anyone who criticized the government, it would be one thing, but it is directed against a complete people. As Bainbridge Colby says, the Jews can stand it but civilization cannot."

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The U.S. Must Rechannel Its Energies in Lebanon

By L. Dean Brown

WASHINGTON — Since Lebanon's independence in 1943, its dream has been a carefully balanced coalition held together by a presumption of equal treatment for all religious communities. The fragile network of understanding has been shattered in the past, then patched up, and then shattered again.

Unfortunately, it is again on the path to disintegration. In 1958, American Marines and an astute political operator, the late Ambassador Robert Murphy, were able to facilitate the patching process. Today, American Marines may be watching, or even participating in, a collapse.

What has happened? Malik Salam, a respected Moslem leader, says the Lebanese Parliament elected Amin Gemayel as president of Lebanon, but it did not elect the Phalangist Party and its private militia to take over power in the country.

Walid Jumblat, leader of the Druze, believes there was a political deal with the Phalange before the Lebanese Army went into Christian-dominated East Beirut, the Phalange's home territory, earlier this year. He insists he will not let that army into the mountainous Chuf area — where Druze have lived for centuries — until there is a far-reaching political understanding with the central government.

The type of understanding that he seeks, along with many Sunni and Shia Moslem leaders, is not clear. It increasingly appears to be a demand for change in the political structure of the country that would permit a greater sharing of power. Greater sharing could lead to a denunciation of the decades-old unwritten national covenant — which gives the powerful presidency, army command and parliamentary control to Maronite Christians — or it could lead to the creation of a government of reconciliation to include leaders such as Saeb Salaam, a respected Sunni, Nabih Berri of Amal, which is the Shia fighting force, and Mr. Jumblat, the Druze leader.

In a powerful end-of-Ramadan address this summer to thousands of Moslems, a leading Sunni religious figure said that there can be no usurpation of power by one armed group, that political power must be shared through a revision of the national covenant and that all private militias must be disbanded.

It is this last point that has precipitated the present crisis. On Aug. 16, Defense Minister Moshe Arens of Israel flew to Beirut. There he met with Pierre Gemayel, head of the Phalange political party and, later, with Fadi Frem, the commander of the Phalange militia. Mr. Arens said he urged "political accommodation between the Christian and Druze communities."

In Beirut, however, the meeting was viewed differently. Moslems and non-Maronite Christians alike saw it as a blessing of the Phalange forces. It exacerbated their fear that Amin Gemayel was not a president committed to protect all religious communities but the captive of the Phalange militia.

From fighting over turf in the Chuf between Maronite and Druze forces, the conflict has spread to Beirut, involving not just Druze and their new enemy, the Lebanese Army, but others. The Shia militia, Amal, is heavily armed and is driven by a demand for "social justice" like that which propelled many Iranians in the struggle against the shah. Amal has entered the fray. So has the long-dormant Murabitoun, a leftist and originally pro-Nasser force.

Fighting now is as complicated and as difficult to understand as it was in 1976. The chief difference is that the Palestine Liberation Organization is not involved and that the multinational force can become the accidental — or perhaps, if fighting rages uncontrolled — the planned target. We are not yet at the latter stage. Much of the fighting is a form of political bargaining. The Druze and Moslem groups are saying: "We too have arms and power. If you refused to hear our pleas in former times of peace, we'll make them louder today with guns." This sort of political bargaining can quickly degenerate into chaos.

This is where the United States comes in. Washington talks of sending in more troops or pulling them out. But it is not that simple. The nature of the game has changed. From unloaded rifles when they arrived a year ago, the U.S. Marines have moved to exchanging fire — often with unknown opponents. The hope that the presence of a multinational force would calm the situation and then lead to popular support of a strong central government whose army would control and disarm the multiple militias is gone. Instead, American, French, Italian and British troops are close to being regarded as allies of a central government under Phalange domination. This is dangerous.

It was indeed the desire of Ariel Sharon, the former Israeli defense minister, to see a Maronite-dominated government in power, a government that could sign a peace treaty with Israel even if it meant cutting off Lebanon from the Arab world. Many Lebanese Moslems, who saw themselves no longer as unequal partners in a national consensus but as doomed to subservience in a one-party state, viewed American policy as supporting the Sharon line. Constant American repetition of a policy toward Lebanon of territorial integrity, independence and creation of a strong central government — without ever a word about political reforms or the need to recreate a national consensus based on power-sharing — amplified the fears.

American policy toward Lebanon needs a dramatic change. It cannot rely on the premise that the Soviet Union and Syria are somehow behind all the troubles, that Syrian and Israeli withdrawal will somehow bring peace or that a Phalange-dominated government can prevent a new outbreak of guerrilla and urban warfare.

Instead of relying solely on President Gemayel, the United States should turn its energies toward the creation of a new national consensus. Once again — how often does it have to be said? — the United States needs to support widely shared aspirations rather than personalities.

In June 1982, Henry Kissinger wrote that the Israeli invasion of Lebanon "opens up extraordinary opportunities for dynamic American diplomacy in the Middle East." How pretentious that all seems today.

The writer, who was President Gerald Ford's special envoy to Lebanon, contributed this comment to The Washington Post.

In Israel, Growing Malaise Over the Extremists' Power

By Richard Straus and Ken Wollack

JERUSALEM — During the week preceding Menachem Begin's surprise decision to step down from office, a senior Israeli civil servant here attempted to explain the prime minister's despondency.

After ticking off the usual litany — the mounting toll of the Lebanon war, the deteriorating state of the Israeli economy, and the death of Mr. Begin's wife — this official remarked that perhaps these problems merely hid a deeper sense of malaise over directions in which Israel is going.

Indeed, some of Mr. Begin's critics charge that the prime minister's party is undermining the very character of the state. One Labor Party official argues that government attitudes toward Israeli dissenters have begun to reflect the arrogance and hostility previously reserved for Arabs.

It is obvious that the traditional elements in Israeli society are under attack from extremists. Increasingly, the secular, liberal, moderate socialists, most of whom are of European origin, and whose principles have guided Israel for most of its history, find themselves pitted against an aggressive coalition of hawkish, rightist expansionists, angry Sephardic Jews and religious zealots.

Thus, a tough-minded yet centrist Likud politician like Defense Minister Moshe Arens is criticized by West Bank settlers for timidity in dealing with the Arabs. The deputy prime minister, David Levy, who was born in Morocco, must constantly look over his shoulder as former Defense Minister Ariel Sharon travels through the Moroccan community whipping up national sentiment.

At the same time, the small Tami party, which represents the Arab-born (or Sephardic Jewish) community, pressed first Mr. Begin and now Prime Minister-designate Yitzhak Shamir for special subsidies for its constituents. The Jerusalem Post called a government proposal designed to meet Tami's wishes "a piece of discriminatory legislation that will aid Jews, but, deliberately, not Arabs." This result is achieved by making the law applicable only to families of four children or more, one of whose members has served in the armed forces.

Arabs are, of course, exempt from military service.

The ultrareligious groups, comprising at most about 10 percent of the population, have gained increasing influence at the expense of their more secular countrymen. This results in part from the swing role the small, avowedly religious parties play in Israeli coalition politics.

But more fundamentally, the religious parties' influence is increasing because, like the settlers on the West Bank, these extremists display a political dynamism that the Israeli establishment continually accommodates. A case in point is the ultranationalist and religious groups of Jews who have moved into the West Bank town of Hebron. Led by a Brooklyn-born rabbi, Moshe Levinger, they have begun to resettle the old Jewish quarter in what has long been the West Bank's most volatile Arab community. Rabbi Levinger himself lives in a house in the middle of the Arab market. An Israeli Army emplacement sits atop his roof.

Yet less than a mile away sits the relatively new and as yet not fully occupied Jewish town of Kiryat Arba. That Rabbi Levinger can settle in Hebron while Kiryat Arba lies half empty has caused even some government members to speak out. One Knesset member complains that one of the main reasons for building Kiryat Arba was to prevent Jewish settlements within Hebron. But most observers now expect Rabbi Levinger's presence to expand.

With Israeli society split, one would expect the Labor Party to benefit from the nonreligious, anti-expansionist center. Yet this party, which governed Israel for its first 30 years, has become to many just another source of despair.

Shimon Peres, 60, behaves like a man who has seen and heard it all before. In a world-weary way, Labor's leader dismisses the notion of an Israeli society torn by internal strife as a view "of others."

The only time he acknowledges the divisions in Israeli society is when he cites them to support his contention that the economy is the main issue. Economic common sense, he argues, will bring Labor back to power.

The overwhelming impression is one of leadership that is out of touch. Anger and frustration seems to increase as you go down the political ladder. One young businessman spoke for many when he declared that "Likud created the split in Israel and Labor doesn't know how to deal with it."

The writers are co-editors of the Middle East Policy Survey, a newsletter published in Washington. They contributed this comment to the Los Angeles Times.

A Returned Exile Finds Chile 'Struck by a Plague'

By Ariel Dorfman

SANTIAGO — Returning to Chile after 10 years of forced exile, I am shocked by all that has changed. I am also shocked by what remains the same.

Everything seems so normal — much too normal. The same birds awaken me each morning that used to do so a decade ago, before a military coup crushed democracy. Somehow, I expected the birds to sing differently under a dictator. I imagined that the terror would have modified even the taste of food and the way people laugh. But everyday life appears much as it was when I left. Other things, however, have indeed changed.

I had read that General Augusto Pinochet's model of development had created a new and opulent social class, but nothing could prepare me for what I felt when, after passing through a virtually unaltered Santiago, I reached the *barrio alto* — the hill-slope neighborhood where the privileged classes of Chile traditionally reside. This is the only part of the city that is unrecognizable. I found myself being guided, like a tourist, along unknown avenues filled with hundreds of glass towers and shopping malls, splendid gardens and efficient freeways. I could not believe that this was Chile. It was as if I had stepped into one of the nicer suburbs of a metropolis back in the United States. In just 10 years, a modernized, sleek and exclusive city-in-itself had arisen.

There has always been, in Chile as in the rest of Latin America, an abysmal distance between the rich and the poor. But those who live in these countries find ways of disguising that distance or ignoring it. My years away from home have given back to me not only the possibility of measuring that distance but of being overwhelmedwith the stark evidence of its malignant growth. Only a few miles from the *barrio alto* are slums where millions of Chileans live in squalor — the price Chile pays for so much ostentatious luxury for a few. When I left Chile, these slum dwellers had been poor. When I came back, I discovered that General Pinochet had performed the miracle of making them even more miserable, stranding them even further from the mainstream of society.

Visting one shantytown, I realized that these people have lived an exile more terrible than my own. They may have had the comfort of the mountains, and they could speak Spanish while I had to learn foreign languages and read incomprehensible street signs, but they have been turned into strangers in their own land.

What is true of them is true of most Chileans, even those in a better financial situation. It is as if Chile had been struck by a plague. I am scandalized by the physical ruin of my country. The economic crisis touches everyone.

I drove through the industrial belt of Santiago and it was like visiting a ghost town. The stores are empty. Most of my friends and family are unemployed or hold only part-time jobs. Though it is winter, there is no heating in the house where I am living.

And yet, in this land without a free press, this land where hundreds of thousands have been jailed and humiliated, where exile and violence and lying have become as natural as breathing air, the predominant mood is not despair. People know, of course, that General Pinochet still holds power. He can still order his troops to murder, and he does. He can still torture, and does. He can still transmit his most incoherent thoughts into each home whenever he so desires, and he so desires incessantly. But a dictator cannot last unless he rules the minds, as well as the bodies, of his people. If he cannot make their dreams coincide with his promises, and their fears coincide with his threats, he is lost. I am fortunate to have returned at the very moment when General Pinochet has lost control over the dreams of Chile.

Day by day, I am witnessing the rebirth of this country.

Living under the shadow of violence and rage, people have somehow found the courage to demand, over and over, the return to democracy, to dream a country where it is abnormal that men can come in the night and make you disappear, a country where it is aberrant that four square miles of a city has grown wondrously while everything else stagnates. People are no longer afraid. At night, they bang pots and pans to protest as if they were in front of the walls of Jericho, and in the daytime they march and congregate and openly discuss ways of ridding themselves of the tyrant. I have seen them risk the bullets and the beatings and the dogs. I have seen them bring defiant Chilean flags to the airport to greet returning exiles.

Slowly, another sort of country is emerging, a country where I do not feel like a stranger. I love the birds and the mountains and the smell of fruit. I love to play with the nephews who were born during these 10 years. But what makes me feel really at home is the rebirth of my country.

The contributor, a Chilean writer who lives in Bethesda, Maryland, was given permission two weeks ago to return to his country. He wrote this column for The New York Times.

Tower's Retirement to Leave a Much-Changed Senate

By George F. Will

WASHINGTON — When asked recently why a colleague had voted against a defense program, Senator John Tower snapped: "He abuses the right to be stupid." When the senator points the Green Bullet (his 1972 Dodge) toward Texas next year, the Senate will lose one of its tartest tongues and sharpest minds.

Mr. Tower, whose office is a few yards from what was Senator Henry Jackson's office, will not quite say so, but he might have reversed his decision to retire if he had not announced it before Mr. Jackson died. In the Senate, as in many other institutions, 20 percent of the members do 80 percent of the work. For two decades Senators Tower and Jackson were two of the consequential 20. Since 1981 they have been, respectively, chairman and ranking Democrat on the Armed Services Committee. So in 1985, the Senate is certain to be without at least 15 percent (counting Howard Baker) of the 20, and even more of the heart of its leadership on military matters.

Mr. Tower has been in the Senate 22 years, 20 of them in the minority. In 1965-66 he had just 32 Republican colleagues. No senator, having been a chairman, can stand the thought of returning to the minority.

But there are 19 Republican and only 14 Democratic seats up in 1984, and today at least six Republican seats (Texas, Tennessee, Illinois, Iowa, North Carolina and New Hampshire) look more vulnerable than any Democratic seat.

Mr. Tower thinks, probably rightly, that he would have been re-elected. Polls show him 20 percent ahead of his nearest rival; his job-approval rating is higher than ever. And he actually likes campaigning across his unreasonably vast and complex state.

However, the Texas electorate is 11-percent black and 18-percent Mexican-American, and as the 1982 defeat of Governor Clements showed, Texas Democrats have been reading the Republican book on organizing turnouts. Mr. Tower would not have needed to spend a nickel to build name-recognition, so his campaign might have cost "only" $7 million. Texas has 19 media markets. Four cover 70 percent of the electorate, but the other 15 can turn an election around.

Beyond a desire for a fresh and less draining life, Mr. Tower's decision to leave the Senate reflects dismay about the institution. Not long ago, he says, the Senate was more efficient and civil, in part because power was concentrated in a few persons who received considerable deference — persons like Richard Russell, Everett Dirksen, Styles Bridges, Lyndon Johnson and Bob Kerr. There never was a record vote unless the leadership wanted one. That saved time and, even more important, prevented what has become common — the engineering of record votes, often on amendments that are going nowhere, often for grandstanding purposes, or to get responsible incumbents to make themselves vulnerable to irresponsible challengers by casting politically dangerous votes.

Mr. Tower thinks the Senate has "lost its corporate memory." Forty-three senators have been there less than six years, and 63 less than 10. Too many of the new members are "media creatures." They are frightened of politically awkward publicity. They increasingly share, or at least are inhibited by, the values of a press corps that sees itself as an adversary of established institutions. Many younger senators assess their success by the media attention they receive. The easiest way to get attention is by challenging the executive on military and foreign policies. That is one reason why, having awakened to the fact that it has delegated too much discretion to the executive, Congress began asserting itself in the wrong area — in defense and foreign policies, where it is least equipped to cope, and where deference to the executive is proper.

Because President Reagan's military buildup has been the most important public business since 1981, since 1981 Mr. Tower and Mr. Jackson have been, with Mr. Baker, the most important senators. As Mr. Reagan contemplates the likely mixture of pain and pleasure in a second term, he must be imagining how hard it would be for him to deal with a Senate with those three men missing.

The Washington Post.

LETTERS TO THE EDITOR

Mideast Approaches

Regarding "Political Wars in Mideast — and U.S. — Snag Reagan Plan" (IHT, Sept. 5):

The American approach and that of the West in solving the problem of peace in the Middle East through Syria's Hafez al-Assad, King Hussein of Jordan or Saudi Arabian leaders will take us nowhere, because for these Arab countries to accept that role will put their survival at risk.

The only practical alternative is that of peace in slices, Sadat-style. The opportunity is still there for the United States to encourage Amin Gemayel to make a separate peace with Israel, as his brother seems to have intended to do. With strong U.S. backing, he might take the risk.

ROUBEN HAIM HAWA.
Winchester, England.

Reagan and Chamberlain

President Reagan equates the peace and anti-nuclear movements with Neville Chamberlain and his appeasement policies. His tragic misreading of history is leading us all into a holocaust of unimaginable dimensions. Instead of "stopping Hitler," he should study the results of the unrestricted arms race preceding 1914, as old empires started to crumble and the balance of power shifted. He imagines himself some sort of Winston Churchill.

BEN LANE.
Sollentuna, Sweden.

Unions Under Pressure

I am sick to death of hearing about Solidarity. Instead, give me some cheerful news as to how the free labor unions are thriving in Turkey, the Philippines, El Salvador, Guatemala, Argentina, Paraguay, Chile and other "democratic" countries.

T. ROBERGE.
Paris.

More letters, Page 5.

Asian-Americans See Rise in Discrimination

Violence, Antagonism Spur Unity Among Traditionally Rival Groups

By Robert Lindsey

New York Times Service

LOS ANGELES — Asian-American leaders say they are alarmed by what they regard as rising discrimination against their people. As a result, they are forming political action organizations around the country that are unifying traditionally rival ethnic groups, including Japanese, Koreans, Chinese and Vietnamese.

"It's come to the point that as long as you 'look' Asian, you're open to attack, regardless of which group you belong to," said Stewart Kwoh, director of the Asian Pacific Legal Center, a leader of efforts to unify Asian groups in Los Angeles, which has the country's largest and most diverse Asian population.

"The only road open for us is to get active politically, by unifying all the Asians to form a viable force, so when we speak, we speak in one voice," said Lin Chung, an officer of the recently formed Alliance of Asian-Americans for Greater Chicago.

According to the Census Bureau, Asian-Americans were the country's fastest growing ethnic group in the 1970s. They make up less than 2 percent of the population, and most are concentrated in a few areas, particularly California, New York and Texas.

Asian-American leaders and others attribute what they see as a resurgence of anti-Asian sentiment principally to two factors: first, the large influx of Southeast Asian immigrants and, to a lesser extent, South Koreans and Chinese in the last decade, and, second, the country's economic troubles, which have intensified competition for jobs and which some Americans have attributed to imports from the Orient.

The pattern of discrimination, they say, is most prevalent among blue-collar whites and low-income urban blacks and Hispanic Americans, who regard unskilled Southeast Asian and Chinese immigrants as competitors for jobs, housing and favorable treatment in government assistance programs.

The rising tension between Asians and blacks was reflected this month in The Los Angeles Sentinel, which calls itself the largest black-owned newspaper in the West. The newspaper reported that scores of businesses in black areas were recently "taken over" by Asians. It criticized financial institutions for lending money to Asian but not black businessmen.

"I think they resent us," Glenda Joe, president of the Council of Asian-American Organizations in Houston, said of other minority groups. "They had to struggle so long for their rights, they don't think there's enough room now for another minority group."

The most widely discussed attack on an Asian-American occurred in Detroit last year, when Vincent Chin, a 27-year-old Chinese-American, was fatally beaten in a bar by two white unemployed blue-collar workers, who reportedly thought he was Japanese.

Asian-American leaders say there have also been fatal attacks on Asians in the last year in Houston, Boston, Davis, California, and elsewhere, that may have been at least partly motivated by race.

Asians who were interviewed last week in several cities emphasized that there were many communities in which Asian immigrants were living with non-Asians without any problems caused by discrimination.

But Dong Soo Ha, secretary-general of the Korean Association of New York, said: "There is some kind of danger to being an Asian in this city. There is some kind of hatred growing between Koreans and their neighbors."

Charles Lai, the Hong Kong-born director of the Asian American Research Institute and Center for Community Studies, in New York's Chinatown section, said there had long been "an image in this country of a so-called 'yellow peril,' that, if left unguarded, the Chinese will overrun the country."

He said he believed it had intensified recently "because of the state of the economy." In many places, Asian immigrants are accused of working for less than prevailing wages, depressing wages for others.

Margaret Fung, an attorney for the Asian American Legal Defense and Education Fund in New York, agreed. "The economy is so bad and the unemployment rate is so high that immigrant workers are perceived to be threatening," she said.

Complaints that Southeast Asian refugees are a drain on a community's welfare system, schools or public hospitals are also common. "A lot of the Anglo parents think these kids are slowing down classes," said Betty Waki, a Japanese-American high school teacher in southwestern Houston.

Some Asian-Americans accuse labor unions of inciting bias against them because of misdirected unhappiness that imports have cost American jobs.

"They resent a company's use of cheaper foreign labor, and they take it out on immigrants in this country, and not only on immigrants, but on people of Asian heritage who were actually born in this country," said Ruby Schaar, a Japanese-American who is executive director of the Japanese American Citizens League in New York.

For the most part, Asian-Americans have not been a cohesive political bloc in the past, partly because of rivalries and cultural differences among national groups. But many Asian-Americans say this is changing now, especially because of a shared outrage over the fatal beating of Mr. Chin in Detroit and the light sentence his killers received.

According to court records, he was killed by two white men who, thinking he was Japanese, beat him while complaining of Japanese imports. After pleading guilty to manslaughter, the assailants were fined $3,000 and released. The killing, Asian-American leaders say, made many of their people realize that whites tend to regard all persons of Asian background alike and that increased prejudice against one Asian group was really increased prejudice against all Asians.

The Soviet Union's shooting down of a Korean Air Lines 747 with 269 people aboard has had a unifying effect on Asians in the United States, according to Mrs. Schaar of the Japanese-American group in New York. Referring to an anti-Soviet demonstration outside the United Nations that was joined by thousands of people whose ancestors came from many parts of Asia, she said: "Perhaps the one good thing that will come out of this tragedy is that Koreans and other Asian people will realize that you remain a victim when you remain silent."

Americans Called Terrorist Victims

The Associated Press

NEW ORLEANS — More than half of the people killed or maimed worldwide by terrorists are Americans, a U.S diplomat has told a conference of jurists here.

"And the biggest single departmental victim is the U.S diplomatic service," Robert Sayre said Friday. He is the chairman of the State Department's interdepartmental Group on Terrorism.

Mr. Sayre, who is coordinator of security policies and programs, was among the speakers at the Sixth International Conference of the International Association Of Jurists, Italy-USA, where the subject was terrorism and what to do about it. Mr. Sayre was also ambassador to Brazil from 1978 to 1981.

United Press International

Air Commodore Philip Pile welcomed his sons, Nicholas, left, and Christopher at Heathrow airport after they followed him to Britain from their home in Zimbabwe.

Air Force Officers, Freed by Zimbabwe, Arrive in U.K.

United Press International

LONDON — Two white air force officers released from detention in Zimbabwe have arrived in London, expressing hope that four colleagues still held after their acquittal on sabotage charges also will be freed.

Air Vice Marshall Hugh Slatter, 41, and Air Commodore Philip Pile, 43, were released Friday by the Zimbabwe government and ordered to leave the country.

Mr. Slatter, Mr. Pile and four other airmen were found not guilty in Zimbabwe of plotting the sabotage last year of 13 warplanes. But minutes after they were cleared, the six were again detained on the orders of Home Affairs Minister Herbert Ushewokunze.

"I'd like to express our gratitude and appreciation for the concern and interest that has been shown over our situation," Mr. Slatter said as the two arrived Saturday at Gatwick airport on a flight from the Zimbabwe capital of Harare. "We are concerned with the predicament of our fellow officers who are left behind and I hope their situation also will be resolved very soon," he said.

On Friday in Dublin, Prime Minister Robert Mugabe of Zimbabwe strongly defended his government's decision to rearrest the officers. After the acquittal "it became the duty of the government to examine the evidence which had not been admissible in court," Mr. Mugabe said. "Those who were believed less involved were released," he said, referring to Mr. Slatter and Mr. Pile.

Managua Says Rebel Plane Downed, 3 Others Driven Off Near Costa Rica

By Robert J. McCartney

Washington Post Service

MANAGUA — Anti-aircraft gunners have shot down a rebel airplane and driven three others away near the Costa Rican border, officials have indicated.

Fire from guns and rockets brought down a plane on Friday, about 2.5 miles (4 kilometers) inside Nicaragua in remote jungle, while it was on a trip to deliver supplies to anti-government forces, a Defense Ministry spokesman said Saturday. It was the second rebel plane reported to have been downed in two days.

Three other planes turned back Friday when they met heavy fire near a military base after dark near the western end of the Nicaraguan-Costa Rican frontier, said the spokesman, Commander Roberto Sánchez. No group has claimed responsibility for the reported incursions.

The Costa Rican-based Democratic Revolutionary Alliance said it had staged attacks Thursday on the Managua airport and early Friday on the Pacific port of Corinto. The government said it had shot down a propeller-driven plane that had taken part in the attack on the airport.

Despite Nicaraguan protests to the Costa Rican government over the raids, a senior Foreign Ministry official in Managua played down differences with its southern neighbor. He said that Costa Rica was doing all it could to restrain the insurgents, who "have taken the law into their own hands" at the behest of the United States.

The official, who asked not to be identified, said that the logbook of the plane shot down at Managua's airport Thursday showed that the pilot had made several trips between the United States and Central America. The book will be made public soon, he said.

The raids have added a new element to the insurgents' fight against the Sandinist government, but appear to have had limited success so far. The planes used are small, and there have been no reports of serious damage caused by their bombs or rockets.

With Saturday's announcement, Nicaragua has reported eight violations of its airspace by insurgent aircraft in two days.

The Defense Ministry said it did not yet have information on the type of plane shot down Friday. Commander Sánchez said efforts to recover the wreckage were being hampered by the jungle terrain.

The government also could not identify the type of the three planes that were repelled. Commander Sánchez said it was too dark for the soldiers to see the planes clearly.

Commander Sánchez reaffirmed that the two planes that attacked Corinto on Friday had flown from Honduras. But this point was the subject of dispute after the Democratic Revolutionary Alliance claimed responsibility for the attack.

The Honduran-based Nicaraguan Democratic Force has denied that it had staged the Corinto raid, and has said it assumed that the planes had come from Costa Rica. The Honduran government has denied any involvement. The issue is significant because the Honduran-based rebels are known to receive backing from the U.S. Central Intelligence Agency, whereas the Costa Rica-based group has denied receiving U.S. support.

Mexican Union Official Reported Seized in U.S.

By Richard J. Meislin

New York Times Service

MEXICO CITY — A Mexican oil union officer accused of embezzling millions of dollars was kidnapped from a Texas border town last week and returned here to face possible prosecution, according to police in Texas and government authorities in Mexico.

The seizure of the union official in McAllen, Texas, was the latest twist in an investigation of corruption at the upper levels of the Mexican Petroleum Workers Union. He was reportedly returned to Mexico by union members loyal to the group's secretary-general.

The abducted official, Héctor Garcia Hernández, had been accused of stealing $6.6 million while serving as director of education and social services for the union. The attorney general is investigating the accusation, but no formal charges have been filed.

Mr. Garcia Hernández left Mexico last month shortly after filing formal charges of an even larger theft against the union's secretary-general, Salvador Barragan Camacho, and promising to reveal publicly a pattern of corruption in the union.

Mr. Barragan Camacho, a member of the Mexican Senate, filed the original charges against Mr. Garcia Hernández. He is also under investigation.

Pro-Barragan Camacho members of the union were said to have posed as agents of the U.S. Federal Bureau of Investigation to kidnap Mr. Garcia Hernández.

The abducted union official arrived here Friday and was placed in the custody of the attorney general's office. His alleged kidnappers, meanwhile, were in custody in Tampico, Mexico, where they had turned Mr. Garcia Hernández over to the authorities.

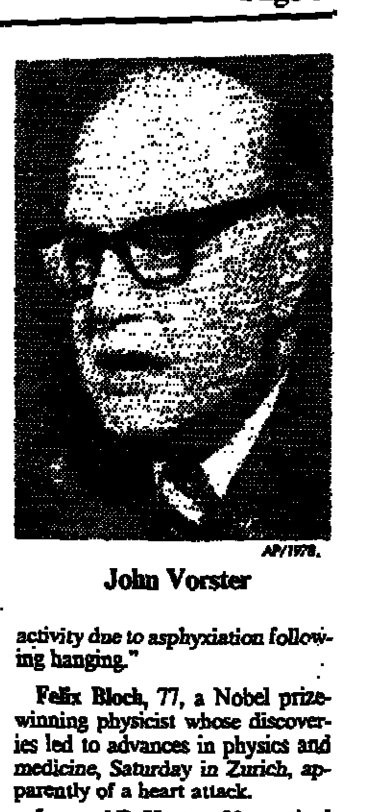
It was not immediately clear whether the United States would seek to have the men returned to Texas to face kidnapping charges.

The series of charges and countercharges have focused attention on corruption in the union, which has long been a subject of private conversation here, and the public discussion has made some union officials uncomfortable.

At a union meeting in the capital Thursday, a local union official said that the controversy was being "propagated for cash by irresponsible yellow journalists," and another said that it was the work of "worthless cabinet members who would destabilize our union."

Mexico's oil industry, which grew rapidly in the late 1970s and early 1980s, has been a focus for President Miguel de la Madrid Hurtado's "moral renovation" campaign against corruption.

John Vorster, 67, Dies; Ex-Leader of S. Africa Symbolized Apartheid



AP/1978.

John Vorster

By Joseph B. Treaster

New York Times Service

NEW YORK — John Vorster, 67, a former prime minister of South Africa and a symbol of apartheid, died Saturday of a lung infection, the South African Broadcasting Corp. reported.

Mr. Vorster rose to prominence as the minister of justice who oversaw the enactment of laws that empowered the government to detain political activists for up to 180 days without trial and strip them of their civil rights.

As prime minister from 1966 to 1978, he surprised some South Africans by making overtures to the leaders of neighboring black African countries and by giving new freedoms to black South Africans.

But he explained that all his actions were intended to preserve South Africa's system of apartheid, which provides for the separation of the races and the concentration of all political power in the hands of the white minority.

Amid initial reports of misuse of public money and increased international calls for sanctions against the white-ruled republic, Mr. Vorster, citing ill health, resigned as prime minister in September 1978. He accepted the largely ceremonial post of president.

He left the presidency in June 1979 after government investigators had accused him of giving false evidence and of complicity in covering up the spending of more than $70 million without proper authorization to promote South Africa's image. Mr. Vorster denied the charges.

After leaving office, Mr. Vorster remained an influential political figure. A year ago he publicly rejected "power sharing in whatever form" between South Africa's 4.4 million whites and its more than 20 million blacks.

In his youth, Mr. Vorster helped found an anti-British organization that advocated a government for South Africa based on the model of Nazi Germany. During World War II he was jailed for his militant opposition to the Allied war effort.

After the war, he joined the dominant National Party, which was largely the domain of the 60 percent of white South Africans who, like Mr. Vorster, traced their heritage to the early Dutch settlers and called themselves Afrikaners. He won a seat in Parliament in 1953.

Mr. Vorster was appointed minister of justice in 1961, a year after police shot to death 72 unarmed black demonstrators in the town of Sharpeville. The episode raised the specter of black revolution and heightened the fears of the ruling whites.

"The rights of free speech, assembly and protest are getting out of hand," Mr. Vorster said in his first speech as minister of justice. He set out to establish some constraints.

Among his most drastic measures was the Sabotage Act of 1962. Under that law, suspected subversives could be detained for up to 180 days and individuals could be "banned," or effectively eliminated from South African political life so that they were prohibited from speaking out. The law made it a crime to publish their remarks.

A few days after the assassination of Prime Minister H.F. Verwoerd in September 1966 in Parliament, Mr. Vorster was unanimously elected leader of the National Party and was named prime minister. He had been a student of Mr. Verwoerd's at the University of Stellenbosch and later his protégé in government.

In his acceptance speech, Mr. Vorster pledged to follow Mr. Verwoerd, who was credited with formalizing the doctrine of apartheid.

In his early years in office, Mr. Vorster permitted a few changes that were said to have made apartheid less rigid. He also formally received the prime minister of Lesotho with full honors and signed a trade agreement with Malawi.

In 1974, he became the first South African prime minister to negotiate with the country's tribal leaders. Also during his tenure, a number of first-class restaurants and hotels were opened to blacks, as were some libraries, theaters and museums.

In 1976, Mr. Vorster's government used massive force to quell riots in Soweto and other black townships surrounding Johannesburg that a government-ordered study later said had erupted out of the "great hate" generated by South Africa's racial policies.

Mr. Vorster's name was Balthazar Johannes Vorster but he preferred to be called John. He was born Dec. 13, 1915, on his father's modest sheep farm in the predominantly English Cape Province. He was the 13th of 14 children.

■ *Other deaths:*

Maurice R. Valente, 54, an investment banker, former president of RCA Corp. and a longtime executive of International Telephone and Telegraph Corp., Sept. 3 in Rome. The U.S. Embassy in Rome said the death certificate gave the cause as "insufficiency of cardiac activity due to asphyxiation following hanging."

Felix Bloch, 77, a Nobel prize-winning physicist whose discoveries led to advances in physics and medicine, Saturday in Zurich, apparently of a heart attack.

Leonard D. Heaton, 80, a retired lieutenant general who was army surgeon general under presidents Dwight D. Eisenhower, John F. Kennedy, Lyndon B. Johnson and Richard M. Nixon, Saturday at Walter Reed Army Medical Center in Washington.

Debris Sample Retrieved From Crippled A-Plant

By Milton R. Benjamin

Washington Post Service

MIDDLETOWN, Pennsylvania — Four years after the Three Mile Island accident radiated fear across America and stunted the growth of the nuclear power industry, technicians have probed gingerly into the reactor's damaged core to remove the first spoonful of radioactive debris.

The first entry mission, resembling a moon-walk as three men in air-cooled protective suits worked awkwardly inside the highly contaminated containment building of the damaged Unit 2, was cut short Friday after only one of three planned samples was retrieved.

From TV monitors in a nearby command center, controllers watched as one team member slumped down atop the service structure above the reactor, sat clutching his head and complained of feeling ill.

The command center immediately ordered the stricken man to leave, and a health worker escorted him from the structure.

As he emerged through an air lock that keeps radioactivity from escaping, another technician radioed: "He don't look so good." He appeared tired and pale, officials said, and complained of a "severe headache."

Officials refused to allow the two remaining team members to complete the mission and said a new group would try Monday to extract the two other samples.

The samples will be shipped to the Energy Department's Idaho National Engineering Laboratory, where they will be analyzed in search of a better understanding of what occurred in the reactor in March 1979 during the worst U.S. nuclear power plant accident.

The ill technician, officials said, was one of fewer than a dozen who have shown symptoms of "heat stress" during the past three years while working in the hot, humid confines of the containment building. He picked up a radiation dose of about 75 millirems during his entry, the equivalent of 2½ chest X-rays, officials said.

The other members of the entry team received doses ranging up to 190 millirems during their 90-minute stay, officials said.

Officials of General Public Utilities, owner of the Three Mile Island plant, say they have been "very successful" in minimizing radiation exposure to workers during the cleanup.

They say they have stayed well under the federal limit of 3,000 millirems per quarter or 5,000 per year for each nuclear worker.

"We've never had anybody at anywhere near 3,000 millirems and we've only had a couple that have been over 2,000 millirems for an entire year," said spokesman Doug Bedell.

Since February, General Public Utilities has mounted an intensive "dose reduction program" designed to reduce the radiation dose to cleanup workers, Mr. Bedell said. He said the program has cut radiation dose rates on the ground floor of the containment building from 350 millirems per hour to about 200 at present.

"That's one of the reasons the cleanup is so blasted expensive," he said. "All the measures and protections and training and rehearsal that you need to reduce dose rates adds very much to the cost of the cleanup," which already has passed $380 million.

Even so, Jack DeVine, technical planning director for the disabled unit, said cleanup workers thus far have received a collective dose of 3,000 rems (a rem is 1,000 millirems), making it increasingly clear that the 8,000-rem collective limit set by the Nuclear Regulatory Commission for completing the cleanup "is not a number that will let us complete the job."

"We haven't done the rem-intensive jobs yet, such as defueling the reactor and cleaning up the reactor building," Mr. DeVine said.

Analyses show that "possible numbers" for completing the cleanup "are all in the 20,000- to 25,000-rem range," he said.

Mr. Bedell said the Nuclear Regulatory Commission already "has opened the process of revising the 8,000 limit."

U.S. Continuing Probe Into Loss Of Carter Papers

New York Times Service

WASHINGTON — The Justice Department is still several weeks away from concluding its inquiry into how Ronald Reagan's campaign obtained President Jimmy Carter's political strategy papers in 1980, according to officials familiar with the investigation.

Thus far, they said, there appears to be little reason to believe the FBI has uncovered enough evidence to bring any charges. But sources said investigators had met with what one termed "convenient lapses of memory" among lower-level workers in the Reagan campaign.

Also unresolved are conflicting accounts by William J. Casey, the director of Central Intelligence, and James A. Baker 3d, the White House chief of staff.

Mr. Baker has said Mr. Casey gave him a notebook containing material for Mr. Carter to use in his debate with Mr. Reagan. Mr. Casey, who was chairman of the Reagan campaign, has denied this.

LETTERS TO THE EDITOR

The Market Dartboard

Christopher Lehmann-Haupt's review of "Preserving Capital" (IHT, Sept. 3-4) by the investment adviser John Train was too glowing with praise.

I am a successful private stock market investor with a great deal of free time on my hands. I amuse myself by scanning market forecasts from investment advisory services and brokerage houses. Since 1960 I have found forecasters cannot go more than a few weeks without a major mistake in market interpretation. This is because advisers do not know how to evaluate and weigh market information. Market writers and advisers are just that — writers and commissioned advisers, not successful investors. They sell market tips because they cannot make a living investing their own money.

The following passages from three studies of professional market advisers and economic forecasters illustrate the point:

The Federal Reserve Bank of Boston said that errors in economic forecasting "unprecedented in magnitude were made by the most respected U.S. forecasters during the 1970s." (IHT, Aug. 18, 1976)

The Swiss financial Bilanz reported early in 1978 that stock advisers' fallibility was "shameful," and that they were "too late in spotting trend changes."

The Contrarion, quoted by Forbes magazine in September 1982, said that top analysts outperformed the market only one out of every three calls.

C. WARREN NOOKER.
London.

A Canadian First

Regarding "NYC Opera Subtitles" (IHT, Sept. 3-4):

Your article implies that the New York City Opera's planned unveiling of "subtitles" will be the first use of this revolutionary technique. This clever innovation was first used, with great success, by the Canadian Opera Company in Toronto, during the 1982-83 productions of Strauss's "Elektra" and Monteverdi's "Orfeo." Incidentally, as the titles are actually projected above the stage, the Canadians dubbed them "surtitles."

COSTA PILAVACHI.
Ottawa.

Lessons of Flight 007

President Reagan's demand that the Russians apologize because of the Korean jet incident brings to mind a Soviet demand that the United States apologize for the penetration in 1961 of its airspace by a U-2 spy plane that was also shot down, though for rather better reasons.

The diplomatic lesson from that earlier incident is a simple one: Whether right or wrong, a great power does not apologize. Nothing shows this better than a delightful conversation, recorded in Leopold Kohr's "The Overdeveloped Nations," between Sir Harold Macmillan and Nikita Khrushchev. Sir Harold, then British prime minister, had said: "Understand, Mr. Khrushchev, they [the United States] are a great country — they cannot apologize." To which Mr. Khrushchev replied with the logic befitting powerful equals, or equally powerful fools: "Excuse me, we are also a great country, and we demand an apology." The result, of course, was that no apology was made — as none will be made now.

MARY DASSIER.
Vaucresson, France.

The wave of simulated outrage that engulfed the West over the Soviet "barbarity," without even waiting for a clarification by the Russians, has little to do with genuine concern for human lives, but much with exploiting a convenient pretext, tragic as it is, to launch a new worldwide crusade against communism and divert public opinion from the U.S. war drive extending from the Middle East to Central America.

YOSSI BEN-AKIVA.
Tübingen, West Germany.

The world knows that the Soviet Union is a huge imperial power. President Reagan has called the Russians liars, terrorists and murderers, but the Russians respect only force and power; there is no use in name-calling.

America must do one thing at once: ask Japan to change its constitution, so that it can rearm, with American help and blessings. Japan, when rearmed, can be a terrific ally of the United States.

LEONARD LEIGH.
Escaldes, Andorra.

Educational Models

Regarding "The Japanese Approach" (IHT, Sept. 5):

Donald J. Planty Jr., the American high school student, is wrong. Although the Japanese school system, reflecting its social environment, is not geared to rearing the creative individual, the Japanese have usually done their homework and learned their facts. Claude Lévi-Strauss, the French social anthropologist, told a Unesco conference last year that the Japanese have kept their society integrated by not requiring everyone to be creative, but merely to adopt a set pattern.

Americans, unfortunately, have done the opposite. With their emphasis on originality, they often fail to take a close look at the facts on which they are supposed to let loose their creativity.

Even discounting fringe benefits such as courtesy as being immaterial to formal education, I found the rote learning system of Japanese schools superior in practical terms to anything American. U.S. students are encouraged to think and write critically, but have precious little to which to apply their underdeveloped critical faculties.

HENRY L. DANIELSON.
Rotterdam.

I would like to add the following observations, based on my experience of both systems — the American as an elementary and junior high school student in the '50s and early '60s, and more recently the Japanese, as a visiting professor at Tokyo University.

The dismal results of the American system in transmitting "hard knowledge," and even minimal competence in the use of English, are not so much the result of faulty teaching methods — though these could be improved — as of the widespread anti-intellectualism of American society. This is a problem linked to deep historical realities, including the descent of most Americans from underprivileged levels of European and other societies, the populist, single-issue nature of much of American politics, and the emphasis on the "quick buck" as the paramount value, with corresponding esteem for those who make it, and contempt for those who pursue "wierd" goals such as knowledge or culture.

Against this must be measured the healthy emphasis on individual understanding and judgment — which Mr. Planty rightly values over rote learning — available in the better American schools. Unfortunately, these are the exceptions rather than the rule.

The defects of the Japanese system spring from the essentially materialist, conformist and totalitarian nature of Japanese society. Its products, when they reach university, are generally as devoid of genuine intellectual curiosity as most of their American counterparts.

Rather than look for a model to the Japanese educational system, we in the West should seek to revivify our schools with what is best in our own rich heritage: humanism and the spirit of free enquiry.

LEONARDO de ARRIZABALAGA y PRADO.
Madrid.

International Bond Prices — Week of September 9

Provided by White Weld Securities, London, Tel.: 623 1277; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Amt	Security	Str/Conv	Issue Pr.	Mid Pr.	Yield
$ 75	Caisse Centr Coop Eco 12 5/8 % 1995 Sep	s	100	97 1/4	13.08
$ 200	World Bank 12 % 1993 Sep	s	100	98 3/4	12.21
cn$ 75	Farm Credit Corp 12 1/4 % 1998 Sep	s	100	98 1/2	12.57
$ 51	Electrowatt Fin 5 % 1998 Jun	c	100	103	
$ 50	Usair Finance 28.67 7 % 1998 Sep	c	100	96 1/2	
$ 40	Daiwa Securities 5 1/2 % 1998 Sep	c	100	97	
£ 30	Cigna Overseas Fin 12 3/8 % 1993 Aug	s	100	100 1/4	12.33
£ 49	Schering Intl Cu/w 6 7/8 % 1990 Aug	s	100	99 1/2	6.96
£ 49	Schering Intl Ex/w 6 7/8 % 1990 Aug	s	100	75	12.34
cn$ 40	Xerox Canada 12 % 1988 Sep	s	100	97 3/4	12.62
$ 100	World Bank 11 1/4 % 1988 Aug	s	99 3/4	97 1/2	11.93
£ 100	World Bank 11 1/8 % 1988 Aug	s	99 1/2	97	11.94
$ 150	Morgan Jp Capital 11 3/8 % 1990 Aug	s	100	97 3/4	11.85
dm 100	Int Standard Elect 7 3/4 % 1993 Aug	s	100	98 1/4	8.00
$ 150	World Bank 11 1/2 % 1990 Aug	s	99 3/4	96 1/2	12.26
dm 100	Long Term Credit Bk 8 % 1990 Aug	s	100	99	8.19
£ 50	Sweden 11 1/4 % 1993 Aug	s	95	93	12.49
dm 100	Avon Intl Fin 7 1/2 % 1993 Feb	s	100	97 1/4	7.92
dm 100	Sumitomo Finance 8 % 1991 Aug	s	100	98 1/2	8.26
dm 160	Ecs Euro Coal & Steel 8 % 1998 Aug	s	100	97 1/2	8.48
cn$ 60	Norcen Energy Res 12 3/4 % 1993 Aug	s	99 1/4	93 3/4	13.93
$ 75	Ecs Euro Coal & Steel 11 7/8 % 1990 Aug	s	99 1/2	98 1/2	12.20
dm 150	Credit Foncier France 8 1/4 % 1998 Jul	s	99 1/2	100	8.24
$ 50	Yamaichi Securities 5 % 1998 Sep	c	100	94	
dm 100	Eurofima 7 1/2 % 1990 Jul	s	99 1/2	99 1/4	7.64
ecu 50	Caisse Natl Energie 11 3/4 % 1995 Jul	s	100	100 3/4	11.63
$ 40	Barnett Over's 25.24 7 1/4 % 1998 Aug	c	100	102 1/2	
cn$ 50	Quebec Prov 12 % 1993 Jul	s	100	98	12.35
$ 50	Jusco Co Ltd Cu/w 8 % 1988 Dec	s	100	102	7.53
$ 250	Eec Europ Econom Com 11 % 1987 Jul	s	100	98	11.65

STRAIGHT BONDS
All Currencies Except DM

Amt	Security	%	Middle Mat	Price	Yield Ave Mat	Yield Life	Yield Curr
	AUSTRALIA						
$ 100	Australia	7 1/2	'84 Sep	96 1/2	11.37		7.77
$ 125	Australia	8 1/4	'84 Dec	96 1/2	11.37		8.55
$ 25	Australia	5 1/2	'85 May	93	10.22	12.28	5.91

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HIGHEST YIELDS
to Average Life Below 5 Years

$ 20	Comision Fed.Electr.	8	'87 Feb	75	18.17	25.04	10.67
$ 50	Venezuela	8 3/4	'92 Oct	61	17.45	22.90	14.34
$ 40	Mexico	8 1/2	'87 Mar	78	17.88	21.98	10.90
$ 20	Colombia	8 1/4	'88 Feb	75	14.45	21.25	11.00
$ 30	Iu Overseas Finance	9	'83 Dec	97	21.87	21.88	9.28
$ 30	Nalomos Intl	8	'84 Oct	93 1/2	14.83	20.89	8.56
$ 20	Pemex	8 1/2	'87 Sep	76	17.04	20.67	11.18
$ 25	Quebec Hydro-Elec	8 1/2	'86 Nov	94 1/2	10.57	20.16	8.99
$ 125	Pemex	11 1/2	'88 Jul	76 1/2	19.19	19.65	15.03
fl 100	British Leyland	7 1/2	'87 Sep	77	15.31	21.10	9.74
ff 80	Ready Mixed Concrete	7 3/4	'87 Oct	78 1/2	14.90	18.58	9.87
dm 125	Petrobras	8	'89 Oct	72 1/2	15.07	17.79	11.03
fl 75	Montreal School	7 1/2	'87 Mar	77 3/4	16.10	17.53	9.65

HIGHEST YIELDS
to Average Life Above 5 Years

$ 30	Mexico	8 3/4	'91 Dec	67	16.11	18.14	13.06
$ 25	Redland Finance Ex/w	9 1/2	'91 Mar	75 1/2	15.05	16.51	12.58
$ 50	Dome Petroleum Ltd	10	'94 Jul	73 1/2	15.82	16.07	13.61
$ 50	Hudsons Bay	10	'94 Feb	81 1/2	13.33	14.52	12.27
$ 25	Consolidated-Bathurst	9	'92 Oct	78 1/2	13.12	13.99	11.46
$ 75	Norges Kommunalbank	9 1/8	'98 Apr	78	12.43	13.92	11.70
$ 125	Michelin	10	'94 Aug	81	13.35	13.92	12.35
$ 50	Iceland	12 3/4	'92 Dec	95	13.71	13.90	13.42
$ 50	Oslo City	8 3/4	'97 Nov	77	12.20	13.89	11.36
£ 22	Peugeot Sa	14	'90 Aug	101	13.77	13.75	13.86
£ 12	Rothschild Inv Hold	14 1/2	'98 Aug	105	13.37	13.71	13.81
nkr 100	Nordic Investment Bk	12 1/2	'90 Jul	99	12.72	12.76	12.63
£ 15	Finance For Industry	13	'91 Mar	101 3/4	12.63	12.57	12.78
dm 150	Venezuela	9 3/4	'90 Nov	91	11.43	12.15	10.71

HIGHEST CURRENT YIELDS

$ 175	Mexico	18 1/2	'85 Jul	100	18.49		18.50
$ 75	Pemex	17 1/2	'86 Nov	96 1/2	19.02		18.13
$ 130	Mexico	17 1/2	'85 Mar	97	19.92		18.04
$ 60	Arizona Ps Fin	17 1/4	'86 Oct	104 1/2	15.37		16.51
$ 75	Comision Fed Electr	13	'87 Nov	81	19.94		16.05
$ 60	Gulf States Overseas	17 1/2	'88 Oct	109 1/2	14.76		15.98
$ 75	South Califor Edison	16 3/4	'86 Nov	105	14.72		15.95
$ 70	Northern Indiana Pub	17 1/4	'88 Oct	108 1/2	14.81		15.90
cn$ 50	Quebec Prov	18	'87 Oct	113 1/2	13.97		15.86
cn$ 40	Royal Inc	17 1/4	'86 Dec	110 1/2	13.19		15.61
£ 25	Reed	16 3/4	'89 Mar	108 1/2	14.45		15.44
cn$ 50	Canadian Utilities	17	'96 Dec	110 1/2	15.14		15.38
cn$ 40	Simpsons-Sears Accep	16 3/4	'89 Apr	110 1/2	13.99		15.16

[illegible]

DM STRAIGHT BONDS

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(Continued on Page 18)

International Herald Tribune
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JAPAN

THE ECONOMY — A SPECIAL REPORT

Continuing Fallout From Tanaka Case

By Ken Ishii

TOKYO — It is like the calm before the storm. As the days move toward Oct. 12, when a Tokyo district court is to deliver its verdict in the Lockheed bribery trial of former Prime Minister Kakuei Tanaka, there is little evidence of concern over the potentially devastating effect the verdict will have on the fortunes of the present administration.

Or perhaps, after seven years of headlines and 180 hearings over charges that Mr. Tanaka accepted 500 million yen from Lockheed while in office to help sell its planes to Japan, interest has abated for the moment. So great was the furor over events leading to the prosecution's demand that the former prime minister be sentenced to five years in prison that the verdict itself may even be anticlimactic.

From the evidence presented, the Japanese press unanimously predicts that Mr. Tanaka will be found guilty. But many agree with the view of a top political source who said, "Political assumptions for the future already take a guilty verdict into account." This means that, while the verdict will create a crisis in the Diet, Prime Minister Yasuhiro Nakasone's Liberal-Democratic Party will be able to ride it out.

Nevertheless, the Tanaka case does pose a worrisome issue for the prime minister. There is no danger of the conservatives being ousted from power. Their dominance of politics, unbroken since 1945, is too overwhelming. But rarely has the left had such an excellent issue with which to embarrass the government.

The question of political ethics, or rather the lack thereof, has become a subject of increasing public discussion, and demands by the Socialists and other opposition parties for Mr. Tanaka's retirement from politics have struck a responsive chord among Japanese.

Mr. Nakasone's predicament is compounded by the fact that he owes his assumption of power largely to the support of the Tanaka faction of the Liberal-Democratic Party. It remains the party's largest and most powerful faction despite the Lockheed scandal, a fact that in itself would seem to assure that the Liberal-Democratic Party will be able to ride through the coming storm.

Even so, there is no denying that a guilty verdict will damage the image that Mr. Nakasone has been striving, successfully, to create for himself as a strong, competent leader. By force of his personality, Mr. Nakasone has helped enhance Japan's stature in his meetings with world leaders. Under his stewardship, the Japanese economy has begun to work its way back from a protracted recession. Japan's inflation rate is among the lowest in the world. And Mr. Nakasone is determined to carry through an administrative reform program to pare government waste, for which purpose he called the Diet into its fall session on Sept. 8, several weeks earlier than usual.

Recent opinion polls show a definite rise in Mr. Nakasone's popularity, compared to his early days in office when many were concerned about his hawkish stance on defense. Political analysts offered a number of scenarios on what might happen after a guilty ruling. One is that Mr. Tanaka will resign his Diet seat, which would take the heat off the Liberal-Democratic Party and the prime minister. This would be done, they said, in the knowledge that the four-year term of the lower house expires next June, after which Mr. Tanaka would be able to run again for his seat from Niigata prefecture in full confidence that he will be re-elected. Despite criticism against him, Mr. Tanaka still has overwhelming support in his constituency, and Japanese voters tend to cast their ballots on the basis of personal loyalties rather than issues.

Another scenario sees Mr. Tanaka remaining tough until the post-verdict storm abates sufficiently for the public's attention to be diverted to other matters, including President Ronald Reagan's visit to Tokyo in November, administrative reform and promised tax cuts.

In all of this, Mr. Nakasone has a trump card in his authority to call for general elections. Rumors of a dissolution of the Diet before its term is up have kept both the Liberal-Democratic Party and opposition politicians off balance for months. Almost everybody thought the prime minister would dissolve the lower chamber last June for a general election to coincide with elections that month for the Upper House. The thinking behind the double-election theory was that the Liberal-Democratic Party would be able to go to the polls before suffering an adverse impact from a guilty ruling against Mr. Tanaka.

The former prime minister is known to have applied strong pressure on Mr. Nakasone to do so, and by not succumbing to the pressure Mr. Nakasone made it known that, while he owed a debt to the Lockheed defendant, he was not his lackey. Mr. Nakasone himself has contributed to the continuing political uncertainty by telling a recent party caucus:

"I would like every one of you to work hard to prepare for what awaits us this fall. In less than a year, we will have to dissolve the lower house. The success or failure of the election will depend on whether we are united or not, and whether the opposition parties are united or not . . . ."

Many Liberal-Democratic Party members interpreted this to mean that Mr. Nakasone was likely to dissolve the House of Representatives this fall regardless of whether it clashed with the Tanaka verdict. As a result, several Diet members canceled planned government-paid tours they usually take between sessions to stay at home and mend political fences.

Will Mr. Nakasone serve a second term as prime minister? As circumstances stand, the answer would have to be yes. In addition to the Tanaka faction, Mr. Nakasone has the support of the faction led by Zenko Suzuki (whom he succeeded as prime minister). The Tanaka-Suzuki-Nakasone factional alliance today is numerically larger than the combination of the "anti-mainstream factions" led by Takeo Miki, Takeo Fukuda and Toshi Komoto. But observers do not rule out the possibility of the latter group of factions temporarily aligning themselves with the opposition after Oct. 12 to push through a motion calling on Mr. Tanaka to resign.

Haruyoshi Yamaguchi/Gamma-Tokyo

Japanese stand beside the automobiles they have just bought, seeking purification of the vehicles at a temple.

Automakers Expand Production Abroad

By John Hartley

TOKYO — Honda cars are rolling off assembly lines in the United States and Britain, Nissan small trucks are being produced in the United States, and Isuzu vans are about to go into production in Britain. Decidedly, Japan's automotive industry has a far more international look that it did a year or so ago.

Moreover, in addition to the bigger ventures, Japanese cars are being built in a number of assembly plants all over the world, usually in countries where imported cars are subject to tariffs or quotas.

Still, there are obstacles to this growth. The industry is turning toward new territories and ventures, largely as a result of increased pressure from authorities in countries where Japan already has car plants.

In the United States, strong official pressure has led the Ministry of International Trade and Industry to exercise "voluntary restraint" in allowing the expansion of automobile markets.

In Europe, competition is making life difficult for salesmen of Japanese cars, and may become a more serious threat than protectionism. Of the newer cars, the Peugeot 205, the Renault 11, British Leyland's Austin Maestro and the new version of the Volkswagen Golf are all strong competitors for sales.

Japan's strategy, therefore, has been to join forces with other manufacturers and to explore markets in Southeast Asia, Africa and South America. For example, while setting up its truck plant in the United States, Nissan Motors has been expanding its facilities in Mexico.

This summer, a new Nissan engine and components plant went into operation at Aguascalientes to supply its assembly plant, where its Violet and Silva cars and small pickup truck are produced.

Although Nissan is able to export the trucks to Latin America, the continent's economic problems have affected sales. In Mexico, inflation, unemployment and the balance-of-payments deficit have forced austerity measures that have curtailed purchasing, especially of large consumer items such as cars. But when the economy improves, Nissan will be ready.

In Europe, Nissan has launched a joint venture with Alfa Romeo to build bodies for a new car. Called ARNA, the new company is building Nissan Cherry bodies in which Alfa Romeo installs engines and transmissions. Volume is 60,000 units a year.

In the Far East, Nissan is strengthening links with its licensee in Taiwan, Yue Loong Motors.

Currently, Yue Loong is the biggest car producer in Taiwan, ahead of Ford. But Toyota Motors Corp. has reached agreement with Chinese business interests to produce more than 200,000 cars annually.

Thus, Toyota seems intent on obtaining a significant market share in Taiwan. In addition, it will export cars built there to other markets.

To counter that move, Nissan is trying to buy a stake in Yue Loong, and has increased the amount of technical assistance it gives.

At home, Nissan is due to start producing the

(Continued on Following Page)

Export Boom Fuels Recovery; Demand Lags

By Gregory Clark

TOKYO — Japan's three-year recession is officially over, but no one is really celebrating. The recovery is almost entirely led by exports, and while this means good business for some, it will almost inevitably be followed by renewed foreign criticism and pressure to cut back on the exports.

To avoid this, Japan needs urgently to stimulate its domestic economy. But this is difficult for a variety of reasons. Among them: Any lowering of interest rates to stimulate investment generally would increase capital outflow and weaken the yen further against the U.S. dollar, and any effort to increase public spending would fuel an already large deficit.

At present, the domestic economy is showing mixed signals. On the one hand, housing starts and consumer spending remain flat and manufacturing investment has been only slightly affected by the export boom.

On the other hand, in recent months the mining and manufacturing index has begun to move upward and the index of leading indicators has moved above the 50-percent level (in other words, more than half the various indicators of future economic activity have turned upward).

But the overall economy remains slack.

One way of increasing demand might be to expand government spending. But there have been forecasts that the deficit this year will reach $60 billion, or 26 percent of the total budget. The government has promised both to reduce the deficit and to reduce direct taxation. These steps would make it very difficult to consider any large increase in spending.

What to do? Three different views have been advanced.

In the first, the Economic Planning Agency of the Ministry of International Trade and Industry notes the potential consequence of failing to expand the domestic economy: a growth in friction with foreign trade partners. But it is deliberately vague on how expansion can be achieved.

As the United States and other world economies recover, Japan's exports increase. But its imports remain stationary, or even decrease, as oil prices fall. The expected trade surplus this year is put at $30 billion to $35 billion, far more than official estimates earlier this year.

Even allowing for invisibles, the surplus is likely to go to well over $20 billion, against $9 billion last year.

An expansion of the domestic economy would reduce the pressure to export and would increase imports, the ministry says. Although the planning agency is not specific on measures to be taken, it does point out that much of the slump in domestic demand is attributable to the housing logjam. More and better houses would release a flood of new consumer spending on everything from second cars to Western-style furniture.

But to do this, the agency says, Japan would have to revise completely the land policies that artificially raise the price of land and so depress housing starts. Few analysts expect early movement in this direction.

The second suggestion, from the Finance Ministry, involves rigorous cutbacks in government spending and a resulting natural increase in domestic private investment as government borrowing declines and the availability of money increases. The Finance Ministry would also like the politicians to go back on their promises to cut taxes.

The third proposal comes from big business, as represented by the Keidanren, the Federation of Japanese Economic Organizations. The Keidanren calls for a deliberate program of private investment in major projects; in effect the businessmen would take over from the government

(Continued on Page 14S)

Venture Capital Becomes an Industry

Special to the IHT

TOKYO — If an international venture capitalist is looking for a promising investment in Japan, there is a flourishing industry that meets the bill. It is new, popular, and generally an industry of small companies. It is an ideas business. It is relatively risky, but not impossibly hazardous. It promises healthy long-term returns. It has a big appetite for equity capital. There is still room to get in on the ground floor. It has the official backing of the Ministry of International Trade and Industry. And it is something that a venture capitalist knows a little about already.

It is the venture capital industry.

In August alone, three venture capital organizations were formed.

At the beginning of the month, the nation's second-largest bank, Fuji Bank, set up Fuji Investment. Capitalized at 450 million yen, Fuji Investment has as shareholders Fuji Bank, a closely associated trust bank, Yasuda Trust & Banking, and a number of other companies in the Fuyo group, the industrial group centered on Fuji Bank. Fuji Investment will provide financial services to venture businesses.

In mid-August, Orient Leasing announced that it was setting up a venture capital management company with British, U.S. and Japanese shareholders. Orient Leasing will own 40 percent of the new company, which will be called Orient Capital. The British merchant bank Baring Brothers will have 20 percent, and a San Francisco-based venture capital firm, Hambrecht and Quist, will have a further 20 percent. Four Japanese companies — Sanwa Bank, Daiwa Securities, Daiwa Securities Research Institute, and Dai-Ichi Mutual Life Insurance — will have 5 percent each. The new company is initially capitalized at 300 million yen and expects to start operations in October.

Later in August, Dai-Ichi Securities announced that it would accept venture capital investments beginning in October. The brokerage house, one of Japan's small securities firms, has close ties with the Long-Term Credit Bank of Japan, which will be one of the shareholders in the firm's new vehicle, Dai-Ichi Capital. This newest entrant to the venture capital field will start with a capital of 200 million yen.

The three newcomers are joining the most fashionable area of corporate finance in Japan. In the last year, the venture capital business has seen a rapid growth in the volume of funds committed and in the variety of vehicles created. According to one recent estimate, about $300 million has been invested in the sector.

The industry leader is Japan Associated Finance, which has a capital of one billion yen and which has invested in about 100 companies. Japan Associated Finance's main shareholders are Nomura Securities and Nippon Life Insurance. Nippon Investment and Finance Co., backed by Daiwa Securities and the Long-Term Credit Bank of Japan, is equal in capital to Japan Associated Finance, but behind in investment.

Japan Associated Finance was set up in April 1973, one of a number of companies established in the first flush of enthusiasm for venture capitalism. That enthusiasm was based on the rapid growth of the world economy in 1972 and the first half of 1973, and on Japan's performance as the fastest growing of the industrial-

(Continued on Following Page)

INSIDE

BASIC DATA

AREA: 377,000 square kilometers. Population: 118,693,000. Largest cities: Tokyo (population: 8,350,000), Yokohama (2,770,000), Osaka (2,650,000), Nagoya (2,090,000) and Kyoto (1,470,000).

PRODUCTION — Gross National Product in 1982: 251.26 trillion yen. Growth, 1976-1982 average annual rate: 4.5 percent. Gross fixed investment in 1982: 31.1 percent of GNP. Public consumption in 1981: 10.2 percent of GNP. Current public revenue in 1981: 29.4 percent of GNP.

FOREIGN TRADE AND PAYMENTS — (In millions of 1982 U.S. dollars) Commodity exports (FOB): 137,663. Commodity imports (FOB): 119,584. Exports of goods and services: 16.6 percent of GNP. Imports of goods and services 16.0 percent of GNP.

INDUSTRY — Japan's industrial equipment, in 1979, numbered 739,304 plants that employed 10.86 million production workers. Since 1920 there has been a shift from light to heavy industries with the production of electrical appliances and electronic machinery registered the greatest strides. Television sets in 1980: 16.3 million, radio sets (1980): 17 million, cameras (1980): 14 million.

NATIONAL BUDGET — Ordinary revenue and expenditure for the fiscal year ending March 31, 1983, balanced at 46.68 billion yen.

TOURISM — In 1980, 1,316,600 foreigners visited Japan, 319,000 of whom came from the United States, and 90,900 from Britain. Japanese traveling abroad totaled 4,006,388 in 1981.

MONETARY UNIT: The yen is circulated in coins of 1, 5, 10, 50 and 100 as well as bank notes of 100, 500, 1,000, 5,000 and 10,000. $1 = 245.0 yen (on Sept. 8, 1983).

The Price of Success

'The paradox is that, just as Japanese are recognized as being more successful, they find themselves not more liked but less liked by the rest of the world.'

By Ezra F. Vogel

CAMBRIDGE, Massachusetts — If Westerners talked of shocks as Japanese do, we would have recorded since 1979 the "three big Japanese success shocks":

• *Lower-price quality automobiles.* It was one thing for Japanese to do well in small things like cameras, watches, radios and hi-fi, but who would have thought of automobiles? It was not the high quality, for other countries can match quality. It was the realization that Japanese could produce cars at $1,500 to $2,000 cheaper than other countries and that other countries have trouble seeing how to bridge the cost gap.

• 64K RAM memory chips. It was bad enough for Japanese to lead the world in shipbuilding, steel and automobiles, but who would have thought computer components? By 1982 Japan had captured 70 percent of the world's 64K RAM market and was poised to beat competitors in the 256K RAM market as well.

• The fifth-generation computer project. The international conference in the fall of 1981 to announce the launching of the fifth-generation computer project revealed to the world that Japan planned to lead the world in high technology.

Western reactions to the shocks are a peculiar mixture of belief in almost inhuman Japanese capacity and doubts about the success.

On the one hand, Japanese are seen to be almost unbeatable at any competitive economic effort they put their minds to. On the other hand, many Westerners want to believe that the Japanese succeeded unfairly, by stealing secrets, allowing internal cartels and unfair subsidies, unfairly protecting their markets. How else could they have gotten ahead? These Westerners want to believe that the price of success is too high: tiny apartments, low standard of living, workaholic lifestyle, lack of fun, enslavement of youth studying for exams. They want to believe that Japan is about to be caught in the same problems as the West: aging population, leisure-loving youth, decadence, laziness, the end of the permanent employment system.

Having just spent a sabbatical year roaming around Japanese factories, mines, offices and research labs, I must report that the demise of Japanese success has been greatly exaggerated.

Students have been hitting teachers, but the numbers are so small that each case is a big newspaper article. Unemployment has been rapidly rising, but it is still less than 3 percent. There is great worry about the aging of the population, but the worry is used to create long-term plans to handle the financing without greatly burdening existing institutions. There is a great concern over government deficits, but a far smaller portion of gross national product goes into government activities than in any other industrial country. There is great breast-beating about lack of creativity, but in the meantime research budgets and new discoveries, patents by Japanese in Japan and abroad are multiplying, and more new technology is being exported than imported. Westerners suspect that the permanent employment system will be overturned by slow growth, but Japanese companies in declining sectors take smaller entering classes, reduce pay differentials by seniority, and encourage early retirement, scarcely denting the permanent employment system.

Meanwhile, Japan goes about introducing more robots, more computer-aided manufacturing than any other country, as well as stepping up advanced research projects in all critical areas for the future.

The paradox is that, just as Japanese are recognized

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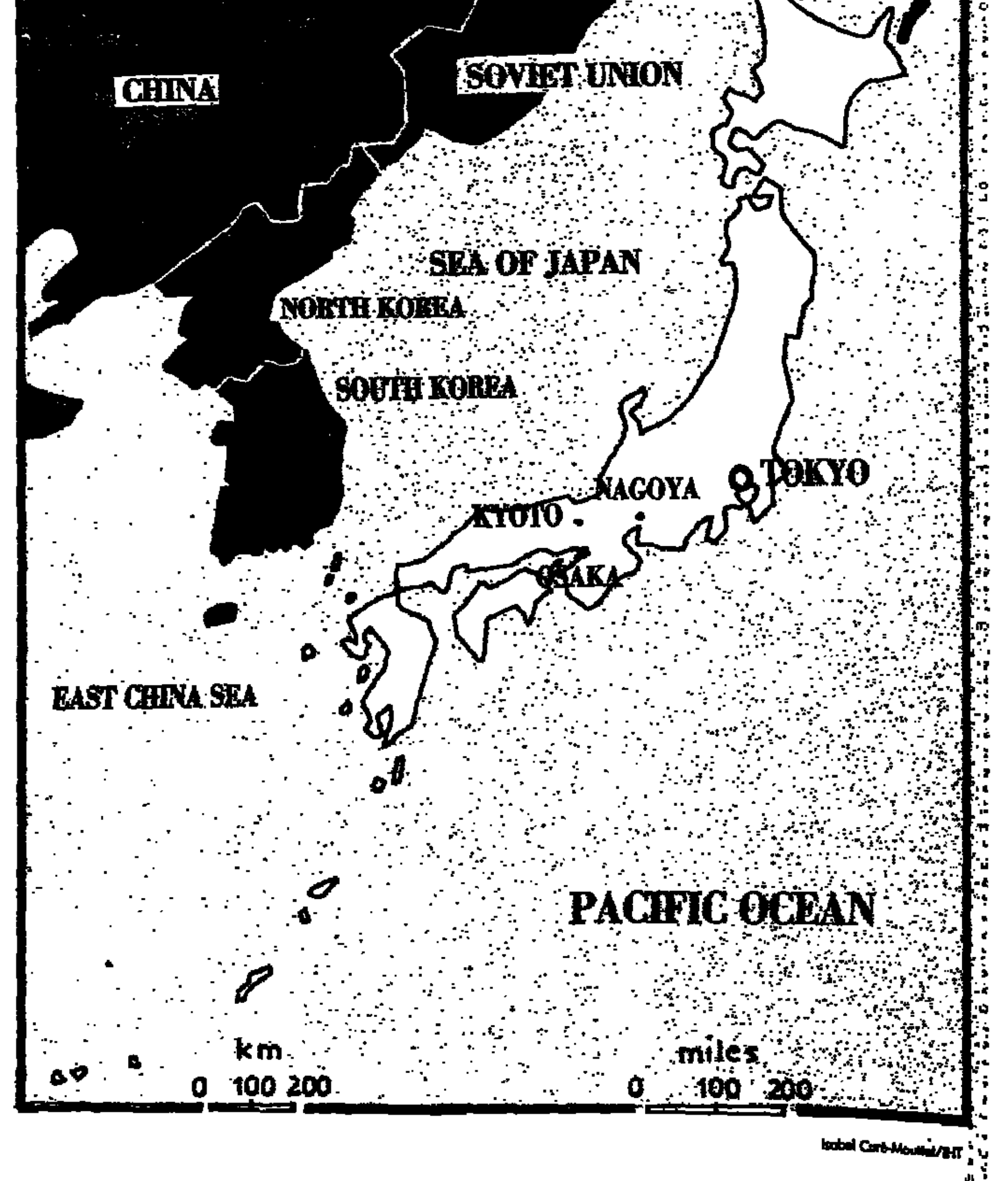
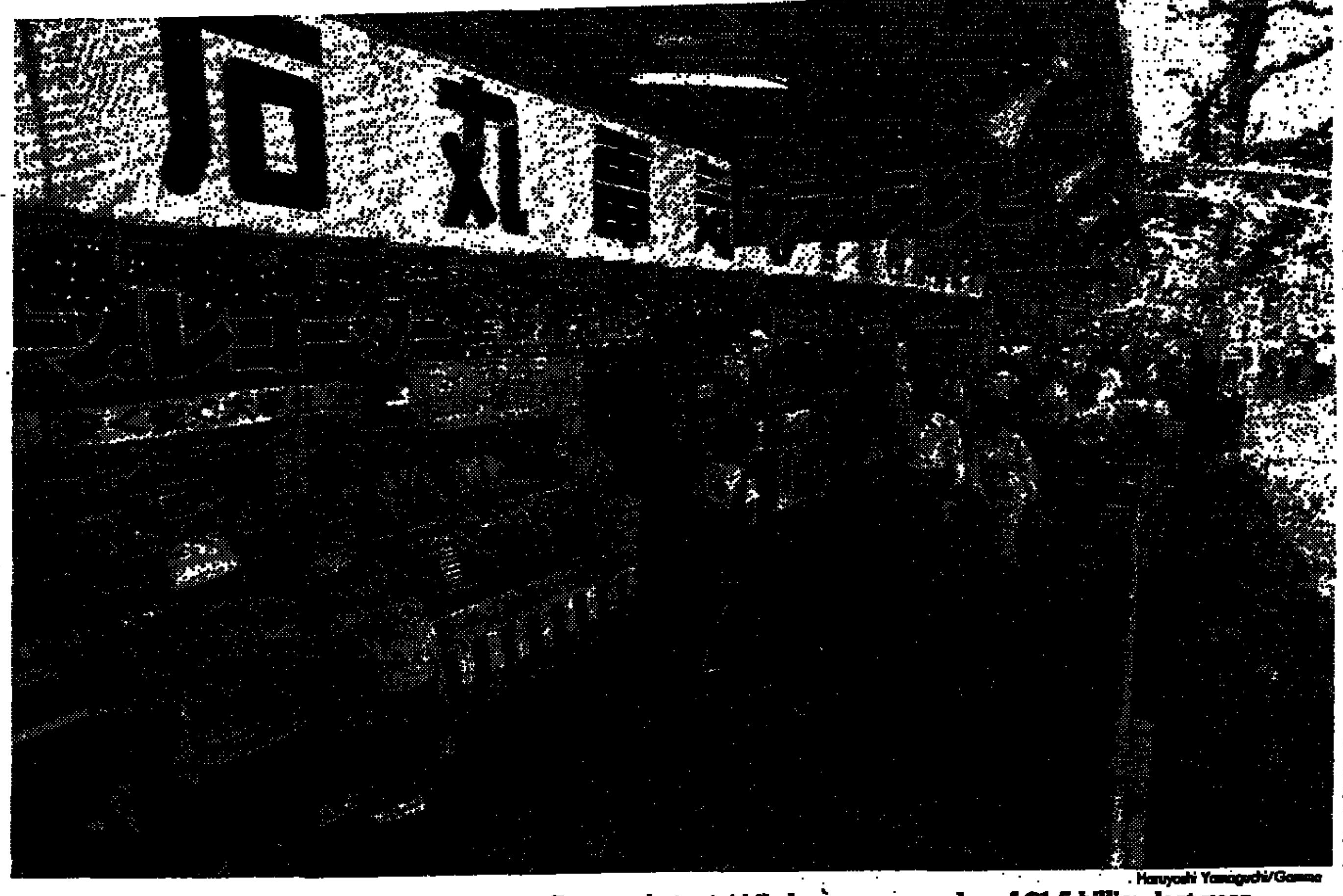
Ezra F. Vogel, professor of sociology and director of the U.S.-Japan Program at Harvard University, is the author of "Japan as Number One."



Kurita/Gamma

Advanced retailing: Shoppers in a automated supermarket in Kokubunji.



Haruyoshi Yamaguchi/Gamma

The world's largest electrical appliance flea market at Akihabara rang up sales of $1.5 billion last year.

Venture Capital Investment in High-Technology Companies Becomes Industry

(Continued From Preceding Page)

ized economies. It was a rationale that did not survive 1973 and the first international oil price shock. Some of the early venture capital companies were forced to close when the companies they had nurtured failed.

Nippon Investment and Finance Co., on the other hand, is the largest of the new group of venture capital companies (it was started in August 1982).

The new companies look to the potential of Japan's high technology industries, especially its electronics firms, and to products that have been invented or refined in the last few years — diagnostic and calibration equipment for industry, science or medicine, computer hardware and software, communications and broadcasting equipment, consumer electronic goods, new applications for ceramics and plastics, new materials such as carbon fiber, and various biotechnology applications ranging from genetic engineering to interferon production.

The venture capital companies have come up with a variety of ways to attract money to the high technology companies. Japan Associated Finance pioneered the idea of venture funds, which are fixed partnerships in which the investors reap the benefits of backing companies that Japan Associated Finance finds. So far, the company has set up four funds, one of which specializes in small companies, and has garnered about 12.5 billion yen. Roughly half of the partnerships' funds have come from overseas investors.

This year, the French bank Paribas set up a venture capital fund in Hong Kong. Called Paribas Ven-Japan, it will be used to invest in promising Japanese companies with the assistance of Japan Associated Finance, which has signed a consultancy contract to advise Paribas on its investments.

Orient Leasing's new venture also promises to bring new expertise and techniques based on the experience of its foreign shareholders. Orient Capital will be learning the business from experts, much as Orient Leasing itself started 20 years ago, by sending young executives to study leasing in the United States.

There is no shortage of risk funds in Japan. In addition to the domestic venture capitalists, there is a growing influx of foreign risk capital. Ministry of Finance statistics show that foreign venture capital firms began to invest in Japan around August 1982, and inflows rose to a peak in March of this year, when ministry figures show 46 cases of investment in Japanese companies' equity. The latest figures, for May, show 30 cases of investment, down from the peak level in March but still substantial (there were virtually no instances at all as recently as 1981).

"Therein lies some concern about where the current boom is going," said a recent editorial in the Japan Economic Journal. "This is not so much a boom of venture business as of venture capital."

That assessment is probably too harsh. There is much the same demand for financial backing of new market ideas in Japan as anywhere else. And if some MITI statistics are any clue, Japan's new businessmen are as skilled as their counterparts overseas in using the new supply of capital to get their enterprises into production. The ministry has an affiliate, the Venture Enterprise Center; it was set up in 1975, and it helps new businesses by guaranteeing their bank loans. By definition, new risky businesses have difficulty in raising commercial bank loans, especially in Japan, where the principle of secured lending against collateral is still the norm rather than the exception.

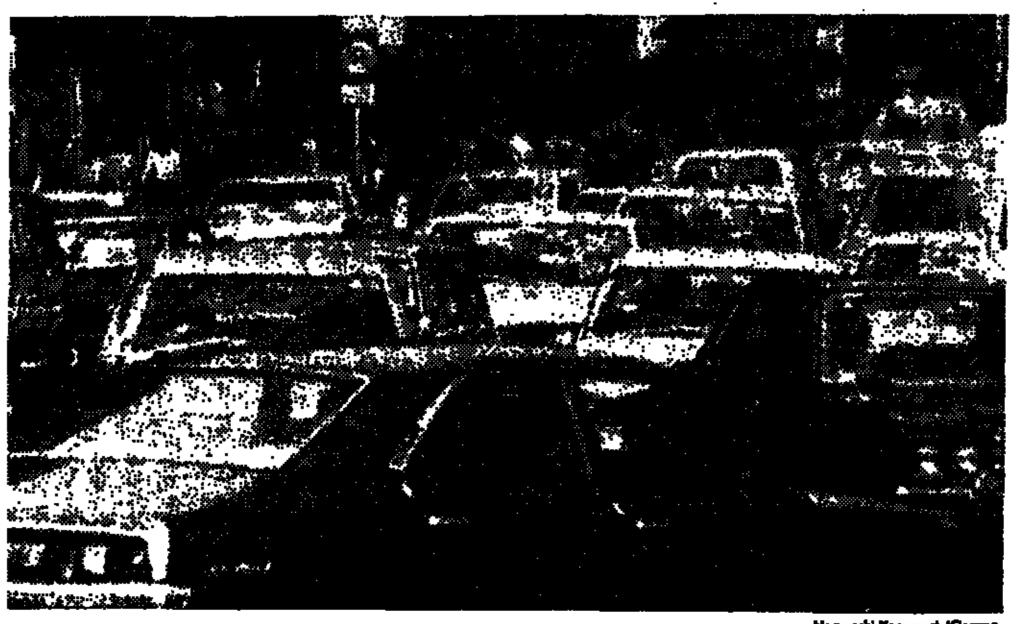
The center's statistics show that, of the 192 guarantees that MITI has extended, the ministry has had to pay up on only 16. According to the center's assessment of the statistics, 16 defaults is relatively high, and ministry officials seem to think that the default rate shows a lack of management ability on the part of the new firms. In fact, by international standards, a default rate of under 10 percent is surprisingly low, given the riskiness of the ventures and the generally difficult trading conditions of the last few years.

There has been criticism of one aspect of the venture capital companies' activities — that is whether they are truly interested in lending on a venture basis or whether the new lending and financing vehicles are merely a repackaging of banks' and securities houses' conventional commercial funding.

Nobody expects the new venture backers to be altruistic. They are in the business in order to spot profitable companies before their competitors, to nurse them to commercial operations, and to corner the market in providing them with financial services once they are viable entities. For the securities houses, the biggest incentive is to get the mandate to list the new company on the Tokyo Stock Exchange. Recent new issues have been spectacularly profitable. If, along the way to commercial operations and public listing, there are social benefits like more jobs, better products and more competitive manufacturing markets, so much the better, but they are incidental to making a profit.

Nevertheless, companies that have grown because of venture capital backing have complained that their backers have been too quick to seek a short-term profit and that, on occasion, backers have preferred to see a company run strictly to yield dividends rather than as management preferred. And there seems to be a general preference on the part of the venture capital firms to stick with the least risky, quickest maturing ideas, especially in electronics. Naturally, backers like to have some near-certainties on their books to pay for the failures or the projects that need long research. But there is a feeling that truly risky projects still do not get serious attention, even from the firms that are meant to be good at assessing them.

If that is true, then there are lots of good prospects still to be found in the corporate undergrowth by investors willing to stake and lose risk capital. If it is not true, and Japan's venture funds are bankrolling only the soundest of small businesses, then some of the venture partnerships seem set to declare generous dividends on their investments. Either way, the venture capital business seems ready to offer opportunities for some years to come.



Haruyoshi Yamaguchi/Gamma

Automobiles jam the Ginza in central Tokyo.

Automakers Expand Production Abroad

(Continued From Preceding Page)

Volkswagen Santana this fall, in an agreement that will bring a European car to the Japanese public at a realistic price.

Toyota, meanwhile, has strengthened its position in the Japanese market with the introduction of the new Corolla and Sprinter models. Sales in this huge range are already affecting such competitors as Nissan.

Toyo Kogyo Corp., which is 25-percent owned by Ford, is getting much closer than in the past to its U.S. partner, and the two companies have just set up a joint project to build cars in Mexico. Toyo Kogyo is already supplying its 323 and 626 models to Ford for sale under the Ford brand name in countries such as Australia, Taiwan and Hong Kong.

Toyo Kogyo itself, meanwhile, is branching out into South Korea. It has taken an 8-percent stake in Kia Industrial Co., which builds Mazda trucks under licence.

Mitsubishi Motors has also strengthened its position in South Korea, by taking a 10-percent stake in the Hyundai Group. There are plans for Hyundai to produce a new Mitsubishi front-wheel drive sedan in the 1.5-liter class within a few years.

Mitsubishi has also assured itself a future in Malaysia. It has reached an agreement to provide the technology for an auto to be produced as the "Malaysian National Car."

Honda Motor Co., meanwhile, is concentrating mainly on the United States and Europe. In addition to building Accord sedans in the United States, it has signed a deal with British Leyland for the joint development of a high-quality sedan due to go into production in 1985. Called XX, the project will also result in a car that will be mass-produced in Japan and Britain. It would compete with cars such as the Audi 100, the Peugeot 605, and some BMWs and Mercedes-Benz models.

Isuzu Motors, one of the smaller Japanese auto companies, has also been widening its horizons. In conjunction with General Motors Corp., which owns 34 percent of the company, Isuzu has set up a company in Egypt to produce 18,000 trucks a year starting in 1985.

Next year it will start to supply GM's British subsidiary, Vauxhall Motors, with kits for the Fargo van for assembly in Britain. Isuzu is also involved in GM's so-called "world truck" project, which involves the production of a range of vehicles that can be produced in GM plants worldwide.

Perhaps the most important deal for Isuzu is its agreement to supply GM with the "R-Car," a 1.3- to 1.5-liter hatchback that will be sold in the United States beginning in 1985.

In theory, Isuzu would send 200,000 cars a year to GM. But the agreement has been compromised by the self-restraint policy. If that policy continues, as seems likely, Isuzu will be unable to export the R-Car, and GM may build it in the United States instead.

The Price of Success: Japan's Paradox

(Continued From Preceding Page)

as being more successful, they find themselves not more liked but less liked by the rest of the world. Having done what they thought would win them respect, they find only greater hostility.

In part, of course, this is because the rest of the industrialized world is coping with Japanese success on top of its own problems — the post-Keynesian society, unemployment and de-industrialization. But it is also in part because of the narrow nationalism of the Japanese. As Prof. Masao Maruyama has said, the Japanese have no value system that goes above loyalty to the group. They have accepted assumptions about what is good for Japan, and no one can persuade them to the contrary.

Japanese still widely believe that it is all right to buy advanced machines they cannot produce, but once they can produce them, it is no longer necessary to buy foreign machines, regardless of market competitiveness. It may be that Hitachi stole IBM secrets, but in Japanese eyes it is not Hitachi that is bad, but IBM and the U.S. government for setting a trap.

Unfortunately, the Japanese are now aware that what they accept as so obviously correct since it is for the good of Japan does not have the same meaning to foreigners, and they cannot believe that their public relations campaigns to try to sell the correctness of their trade practices are backfiring. The most hopeful sign in Japan is that many leading Japanese who formerly thought only of how to make Japan more successful are realizing that Japanese success depends on world success, and they are beginning to think energetically about how to keep the world successful. In the meantime, the rest of the world must think how to cope constructively with Japanese industrial success, and it would do well to prepare for lots more of it.

JAPAN

Two Views on the Trade Issue

JAPAN: 'Japanese imports from the United States doubled in value from 1974 to 1981, at the same rate as its exports to the United States. The year 1979 recorded a 36-percent increase in imports from the United States, while Japanese exports to the United States during the same year were only up 9 percent.'

By Moriyuki Motono

NEW YORK — Last year we often heard alarming comments from Washington that the 1982 trade deficit with Japan would surpass the 1981 figure of $18 billion and would reach $20 billion or even $25 billion. (As it turned out, the 1982 deficit was held to $19 billion.)

Expressions proclaiming "the Japanese market is closed" and that there is "Japanese manipulation of the currency rate" along with suggestions that "U.S.-Japan trade is a one-way street" have become common in some press reports and have provoked indignation and even emotional oubursts of anti-Japanese sentiments.

I believe that the following questions concerning Japanese trade and economic relations require attention and reflection.

• Is the "chronic Japanese trade surplus" a problem for world liquidity?

The structure of Japan's balance of payments has greatly changed in recent years. Constant surplus in its trade account is seen to run parallel to an increasing deficit in its invisible trade and long-term capital accounts. Extensive tourist activities (an average of four million foreign tourists have visited Japan annually since 1979) and increased payment for shipping, insurance and interest, which has accrued from predominantly American investment, have doubled the deficit in the invisible balance of payment since the late 1970s. This deficit has been running on the order of $12 billion in recent years.

Japan has also become, since the late 1970s, a leading net exporter of capital. *The liberalization of* foreign exchange introduced in December of 1980 *marked a dramatic trend in the outflow of capital* accelerated by high interest rates in the United States. The fact that the first seven *months of 1982 recorded a* deficit of $12 billion in the long-term capital account *contributed to the depreciation of the yen. These new* trends altered the balance of payment structure, bring*ing the current and basic balance into equilibrium if* not deficit. Since 1974, only the three years from 1976 *to 1978 recorded a surplus in the overall balance. In* fiscal 1978, *even where an ample trade surplus of nearly $20 billion was recorded, the overall* balance showed a deficit. Japan cannot be categorized as a *chronic surplus country.*

• Is Japan attempting to manipulate the market to keep a low yen rate?

It should be known that the yen depreciated no more than major European currencies against the dollar, and that there is no way for the Japanese government to manipulate the yen rate even if there were such a desire on its part. The massive monetary flow involved makes futile any such single-handed attempt at intervention.

After reaching its bottom of some 278 yen to the dollar in November 1982, the yen has gradually recovered.

Since the first oil crisis of 1973, Japanese industries have adjusted their price structure to be competitive at a higher yen rate. It is clearly understood that the Japanese economy, relying on imported energy and raw materials, needs a stronger and stabler yen rate *and that a depreciated yen is not desirable as it may* trigger protectionism in a world where trade is already contracting with a world recession.

We can expect that the yen will gradually appreciate.

• Will the U.S. trade deficit with Japan continue to widen? *(The deficit in 1981 was $18 billion and despite* expectations that it would reach $20 billion in 1982 it was *held to $19* billion.)

The $5.9-billion increase in the deficit of 1981 over *1980 was composed of about $1.3 billion* representing a decline in Japanese imports of industrial raw materi*als such as coal and lumber, due* to the downward trend of Japan's industrial production. Also, there was *approximately a $4.3-billion increase in U.S. imports* from Japan.

In 1982, the trend was toward stagnation or even decline in the export of key items such as automobiles, steel products and video recorders, while the export of a variety of products such as office equipment, semiconductors and widely diversified articles, including kerosene heaters, has increased. An undervalued yen, improving price competitiveness, may have influenced the increased export of miscellaneous articles; however, it apparently did not affect the key export area. On a global basis, Japanese monthly exports have shown a decrease from exports for the same months of the preceding year since February 1982.

Japanese customs clearance statistics indicate that in the 12 months from January through December 1982 Japan's total exports to the United States registered a decline of more than 5.9 percent over the same period of 1981.

The most dramatic reduction was witnessed in the steel industry, where exports decreased by 25 percent in dollar value. This was due mainly to reduced demand for steel pipes, resulting from the downward trend in oil drilling in the United States. Japanese steel exporters, who sought to keep a price level reflecting a fair value, found themselves rapidly losing their sales in the face of fierce competition from European and Third World exporters and price cutting from U.S. mills. In addition, imports of video tape recording equipment and other tape recording equipment dropped by 13.6 percent. Saturation is rapidly reached in a market with a weak consumer demand.

Is this downward trend in key export items likely to continue in 1983? Whether or not there will be a continued increase in diversified exports depends upon the yen rate and the strength of recovery in the United States. On the other hand, it is hoped that the recovery in Japan may pick up in such a way as to stimulate demand for imports and thus reduce the deficit.

• Is the Japanese market a closed market discrimi-

(Continued on Page 16S)

The author is the Japanese vice minister of foreign affairs and was director-general of the Foreign Ministry's Economic Affairs Bureau before becoming ambassador to Morocco and later Japanese consul-general in New York City. He wrote the following article as a farewell letter to American business friends before leaving New York earlier this year to return to Japan.

UNITED STATES: Anecdotes abound concerning American businessmen whose products, once they began to succeed in the Japanese market, were hindered or denied entry under the lot approval system. There is no question that the lot inspection system has a chilling effect on exporters to Japan.

By David R. Macdonald

WASHINGTON — Any discussion of trade with the Japanese begins, as it must, with contrasting perceptions that Japanese government officials and their U.S. counterparts have regarding each other's trade policies.

As Sue Schwab, trade specialist for Senator John C. Danforth, Republican of Missouri, said, the Japanese look at the United States — and particularly Congress — as a powerful and unreasonable group of politicians who, not understanding Japan, make it a scapegoat for domestic economic problems arising from America's bout with "advanced country" disease.

Many government officials in the United States, on the other hand, perceive Japan as a manipulator of the tools of industrial and fiscal policy to gain an edge in export competitiveness, and as a utilizer of government-sanctioned cartels, subtle regulatory requirements and not-so-subtle quotas to avoid competition *in its home* market.

Neither view is accurate, but each contains a kernel of truth. Any disinterested observer could hardly blame Japan for the increased difficulties that the United States is encountering as it competes in world markets.

Besides our monetary policy, there are two broad areas of U.S. government policy that have repressed U.S. competitiveness. First, there is the intentional U.S. policy of attempting to apply our laws extraterritorially, whether in the form of a foreign corrupt practices act, anti-boycott legislation, antitrust restraints on U.S. corporations operating abroad, attempted prohibitions against exporting freely available products to Comecon countries or taxation of U.S. export profits earned abroad.

Secondly, there is the unintentional U.S. policy over the last 15 or 20 years of starving our manufacturing industries of access to capital, through inflation, taxation and inadequate depreciation allowances. The success of the United States in international competition over the next 10 years will probably be more dependent on the ability of our companies to gain access to capital (both human and mone*tary) at reasonable cost than* on any other input.

Whenever these difficulties are acknowledged in trade discussions with the Japanese, however, their response is to heave a sigh of relief and say, "Ah, I'm glad that you finally understand your problem." At this point, we on the U.S. side have to remind our Japanese colleagues that just because the United States has problems of its own does not mean that the Japanese do not have problems in living up to their international trade commitments. Because, despite these obstacles that the United States has erected in front of its own exporters, a great number of those exporters have ingeniously hurdled them and have developed premier products successful everywhere in the world except in the Japanese market itself. To understand why, it is necessary to examine the mundane problems of exporting to Japan — problems that the Japanese political leadership is now addressing.

Historically, Japan has imported products pursuant to a "lot inspection" system, whereby each shipment of imports is subject to approval on the docks, not only by the Japanese customs inspectors, who check the valuation and classification of the product, but more important, by the government agency, such as the Ministry of Health and Welfare, which determines whether government standards applicable to the product have been met. Until recently, it was not always possible to know exactly what those standards were. Standards were subject to change without notice, and foreign participants were excluded from membership in agencies setting standards.

Until the product lot receives a favorable ruling from the relevant ministry, the process of clearing customs cannot even be started. Thus, although the customs processes imports almost as fast as the U.S. Customs Service, the difference is that an exporter to Japan may require 60 days or more to obtain product approval before commencing the customs approval.

In contrast to this painful and costly import process, the Japanese exporter generally is able to ship manufactured goods to the United States based either upon self-certification of compliance with U.S. *standards or certification of* the product by an independent testing company. *Thus, $14 billion in* Japanese cars are shipped to the United States on the basis of self-certification with U.S. standards (except for systems monitored by the Environmental Protection Agency), while all U.S. exports are subject to individual lot inspection. The unfairness felt by American exporters over these divergent procedures is exarcerbated by the fact that the Japanese government certifies Japanese factories producing for the Japanese market without subject*ing each batch to a testing* procedure.

Anecdotes abound concerning American businessmen whose products, once they began to succeed in the Japanese market, were hindered or denied entry under the lot approval system. Many are undoubtedly apocryphal, but there is no question that the very nature of a lot inspection system of import approval has a "chilling effect" upon an exporter to Japan who desires to make the required investment in market analysis, advertising, distribution and sales follow-up. It adds real risk to the front-end costs that must accompany any successful foreign marketing effort.

This somewhat laborious explanation of the contrasting import procedures of Japan and most of its trading partners is necessary to understand the debate over whether the Japanese market is closed. Unless detail is supplied, the Japanese tend to dismiss out of hand U.S. allegations that Japan's market is closed.

On March 24, 1983, the government of Japan announced that, after reviewing its import methods and procedures, it had decided to amend 18 different laws relating to the method by which foreign goods are imported into Japan. This comprehensive "restructuring" of Japanese import laws is a most impressive display of courage by the elected officials in Japan, from Prime Minister Yasuhiro Nakasone on down. The government of Japan is in the process of drafting and adopting regulations to implement the new legislation.

If the Japanese create a system whereby a U.S. company can, for example, obtain one-time certification of its product for export to Japan by, for example, Underwriters Laboratories acting on behalf of the Japanese government, Japan will have taken a major step to quiet foreign criticism of its trade policies. If, on the other hand, the Japanese effort merely results in increasing the speed of the lot inspection system, the criticism of Japan as essentially a protectionist country will not cease. There is simply too much opportunity for abuse of the present Japanese system at the hands of those who administer it — middle- and low-level career officials. The attitude of some of these officials is typified by a recent memorandum from a Japanese government official of the Tobacco Corporation advising his staff how to limit sales of American cigarettes in Japan by removing point-of-sale advertising and excluding American cigarettes from Japanese vending machines.

In agriculture, the Japanese defend their quotas on 22 classes of products by correctly pointing out that the United States itself has defense mechanisms against unwanted agricultural imports.

(Continued on Page 16S)

The author, a former deputy U.S. trade representative, is a partner in the law firm of Baker & McKenzie in Washington.

Gamma

A worker at the Honda factory.

JAPAN

Rising Proportion of Retired Persons Strains Government Pension Programs

TOKYO — Behind its facade of prosperity, Japan faces a growing problem: Its population is aging at a faster rate than that of any other industrialized society, while government pension programs threaten to prove inadequate to support the retired and elderly.

The Japanese worker who has reached the age of 60 currently receives about 108,000 yen ($450) a month from government pension programs, or roughly the equivalent of 44 percent of his paycheck, provided that he has made his monthly payments into the system for 24 years.

Pension recipients under the government's two major programs total more than 16 million. The number of recipients under the Welfare Pension Fund — to which salaried workers belong — is expected to increase sixfold by the year 2025, and the number collecting from the National Pension Fund — covering self-employed workers and housewives — is expected to grow 1.6 times.

On the other hand, the number of Japanese paying into these funds will grow at a much slower rate as the percentage of elderly in the population rises and the population increase itself continues to slow after reaching a peak in 1972, officials said.

Japanese above the age of 60 account for 9.6 percent of the population of 118 million. This ratio is expected to reach 15.6 percent by the year 2000, which will raise government welfare costs to 23 percent of the national income by that year. By 2025, the over-60 population is expected to represent 21.3 percent of all Japanese.

The Welfare Ministry's latest white paper reports that welfare spending in fiscal 1980 *totaled 24.6 trillion yen, representing 12.7 percent* of the national income. Thus, in another 17 years, the percentage will almost double. Welfare spending in monetary terms will grow at a much higher rate, taking into account the level of the national income in 2000.

The government's current pension systems were instituted in 1954 as Japan approached a period of high economic growth, when the population was younger and welfare resources were abundant. Now, in an era of slow growth stemming from the first oil crisis of 1973, the government has been forced to resort to deficit-financing bonds to cover the gap between increasing expenditures and lower revenues. And with deficit-covering bonds accounting for more than 30 percent of the national budget, drastic measures have been called for.

The Welfare Ministry has under study plans to reduce the limit on the annuity a worker can receive to 60 percent of his average income. As the system stands, workers would soon be entitled to receive more than 80 percent.

Another proposal the government is pushing is an extension of the retirement age. The traditional pattern of retirement at 55 remains strong despite the fact that Japanese today have one of the longest life expectancies in the world, which, not so incidentally, compounds the pension problem. On the basis of a survey in July, it was shown that the average for men is 74.22 years and for women 79.66.

Only 40 percent of Japan's larger companies have extended their retirement age to 60. Despite special laws requiring at least 6 percent of a company's work force to be over 55, almost half of all firms surveyed by the Labor Ministry fail to meet this "high-age" minimum. Among firms employing more than 1,000 workers, the percentage is 5.4 percent.

The government's goal, perhaps too optimistic, is to make 60 the accepted retirement age throughout Japan by 1990, with provisions for *part-time employment after 60 and voluntary* employment after 65.

Elderly Japanese are themselves seeking greater economic independence. As the traditional values requiring sons to look after their parents were discarded after World War II, the adjustment has been difficult and lonely, and for many it is likely to become even harder.

One out of every 4.7 Japanese will be 65 or more by 2025. The number of households by that year is estimated to reach 46.8 million, against 36 million today. Yet, the number of elderly who live alone is expected to increase to 6.5 million, or 7.5 times the current number.

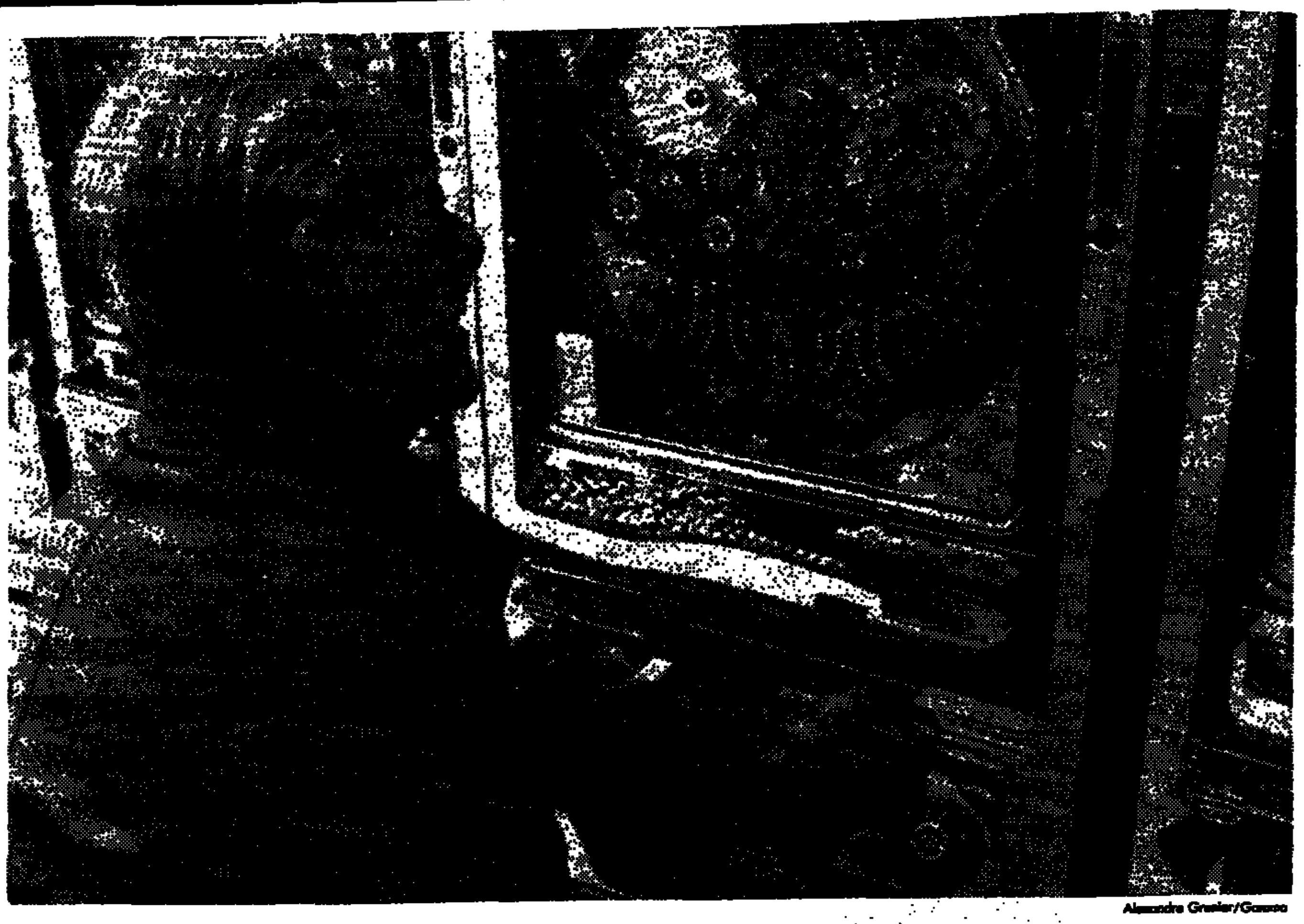
A recent poll by the Prime Minister's Office indicated that 67 percent of Japan's elderly are apprehensive about whether their welfare and medical needs would be adequately met in the future.

For the average salaried worker, his goal is to be able to complete the payments on his house and provide for the weddings of his children before he retires, which in his mind still means 55. After retirement, the fortunate will be given jobs for a few years at subsidiaries at a fraction of their pre-retirement pay before joining the rest of the nation's retired workers to live off the interest on their lump-sum retirement allowances (which average $ 43,000) and the goverment's pension payments.

Some of the bigger firms have begun paying retirement allowances on a monthly basis rather than under the traditional lump-sum formula to help themselves as well as employees unaccustomed to the temptations of such a large sum of money.

By the definition of the United Nations, a nation's population is aged when the elderly account for 7 percent or more of the total. Japan passed this mark in 1970. Other industrialized nations reached this point between the latter half of the 19th and first half of the 20th centuries. From 7 percent to 14 percent, it took them from 45 to 105 years, compared to Japan, which will reach 14 percent by 1996, or in just 26 years. No industrial country has experienced such a rapid aging rate, and the accompanying problems will be great.

—KEN ISHII



Alexandra Grenier/Gamma

An elderly man plays the popular game Packincho.

Gamma

ELECTRONIC MENU — A waiter in a Tokyo restaurant serves customers who have composed their own dinner menu on small computer keyboards at each diner's place. The system has revolutionized service and accounting.

A Nation of 30 Million Television Sets

By Rod O'Brien

TOKYO — The flashback to the day when Japan had only 885 television sets seems almost surreal. It was Feb. 1, 1953, when the set made its debut. Pedestrians spilled dangerously into traffic, which had to be redirected away from shop fronts.

Today, there are more than 30 million sets — often two, even three to a home. Moreover, export waves of the latest models have been so strong that some people may have difficulty believing that television was not a Japanese invention.

Thirty years ago, RCA was marketing black-and-white sets in Japan for an exorbitant 216,000 yen ($600 at the time). Business at that stage for both distributors and broadcasters looked quite risky. However, fears quickly evaporated, and within 10 years 85 percent of the nation was covered by television networks.

Today, Japan has the 1.5-inch screen by Matsushita. *It weighs 600 grams (21 ounces) and is* sold for 90,000 yen ($370.37). Even more recent is Mitsubishi's printer, which when plugged to a television screen will produce "hard copy" photographs within 15 seconds. The print will cost 360 yen, the television set 258,000 yen and the printer 69,800 yen.

High-definition television with double the scan lines is being planned — for screens that have not yet been marketed. This will be accomplished with a Japanese satellite to be launched next February. Signals from the Japan Broadcasting Corp. will then penetrate mountainous terrain that so far has kept 420,000 households pictorially in the shade.

Pay-meter sets have been installed in some taxis. At contemporary theaters presenting edited sequences of Shakespeare or Greek tragedies, one has a distinct impression that the frame-by-frame clip of television has greatly influenced the production.

Television also has been held responsible for displacing the small shinto shrine as the focal point of living-room space. There is a feeling, too, that it has caused desolation of the mind and created autism among families, as well as *having become more of a companion to children* than their "workaholic" parents.

It is also believed to have helped transform the dark, postwar mood of a defeated Japan. Makoto Kitagawa, the programming board director at Nippon Television, Tokyo's most powerful commercial network, said: "It contributed toward the democratization of postwar women. Until television, women remained confined in a narrow world. But, no matter how primitive our television might have been, it started an information flow as well as entertainment and added especially to education."

It was also a strong advertising medium that introduced consumerism, stimulated demand and ultimately the economy. NTV's founder, Matsutaro Shoriki, had a vision about "resourceless" Japan, except for hands, capable of intricate mastery at speed. He believed these hands would have a role to play in building the television industry — a concept that came true.

Japan's television sales are so brisk it is estimated that the 1983 results may top the record 7.07 million units last year. The high-growth period for television profits from advertising, however, was 1976 to 1979. Today, there is almost no growth, reflecting the economic downturn.

Polls by the Japan Broadcasting Corp. show that audiences are becoming less interested in the screen. Daily viewing time has slipped from three hours and 23 minutes seven years ago, to three hours 0.1 minute this year.

Isawo Otsuka, assistant manager at Japan Broadcasting's opinion institute, said that the "mature" phase when the public could not get enough television was 1957-1975. Today, nobody expects audience interest to rise. The saturation point arrived in step with economic recession.

Women, particularly those working part-time, joined the labor force in greater numbers to contribute to the family income. They and their teen-age children are now less likely to watch television. Cultural centers and sports stadiums have also attracted both women and the young who want more activity and education in their leisure time.

For the first time Japan Broadcasting surveys are showing that viewers want less drama than before. In fact, all the networks are searching for formulas to regain both women and the younger generation. They find that quizz shows with audience participation and story-telling comedians are attracting more interest.

"The situation has become more complex, particularly in off-peak hours," Mr. Kitagawa at NTV said. He said that this year television stations faced even more competition because Japan has cable television "fever," with several projects under way.

Japan Broadcasting, funded mainly by viewer subscription, is not dependent on advertising revenue. Therefore, after discovering that most Japanese are in bed from 10:30 P.M., the station has put on the air a summary and analysis of the news at 9 P.M., Monday to Friday, as a kind of nightcap. This slot could take a very different kind of program that would easily win better ratings than the 15 percent or 16 percent the news program gets. For instance, a long-running period piece portraying the life of the first shogun, Ieyasu Tokugawa, who died in 1616, has ratings of 20 percent every Sunday night. It is particularly favored by men in salaried ranks, who are said to be "drawn" to the program because pageantry and power of leadership by Ieyasu provides valuable lessons, still relevant in today's corporate management, Japanese-style.

Haruyoshi Yamaguchi/Gamma

Japanese customers have a variety of prizes and sizes in television sets.

ON WHY Japan is Focusing on High Technology

Haruo Nishio, Managing Director of The Nikko Research Center, Ltd., (NRC) provides a perspective on the Japanese focus on high technology. NRC is a research institute affiliated with Nikko Securities.

RECENTLY ***there has been much talk in Japan about the importance of developments in high-technology fields. Just what are these fields, how big are they and how fast are they projected to grow?***

Nishio: The term high technology is being used extremely loosely. Many scientists use it to refer to the next generation of technologies, such as nuclear fusion, which will not be commercialized until the 21st century. For those of us in the investment field, however, its use is confined to those industries that are presently driving economic growth. They include electronics, mechatronics, biotechnology and new materials.

Without a good definition, the question of size becomes problematic. At Nikko Research Center we have estimated the size of seven product areas which fall under the high-technology rubric. They are consumer electronics, office automation equipment, mechatronics, communications systems, life sciences, semiconductors and new materials. In 1982 the total size of these industries in Japan was estimated at slightly more than ¥6,000 billion. Between 1982 and 1987 we project that the average annual growth for these markets will be approximately 19 percent. The range of forecasted growth rates is from 14 percent for life sciences to 32 percent for communications systems.

Another functional way of defining high technology from the investment perspective is to divide Japanese manufacturing companies into three groups: "gram," "kilo" and "ton" companies. The gram group includes many of the industries just mentioned. The kilo group encompasses the automobile, electrical appliance, textile and other industries that led much of the growth in Japan's industrial production during the 1970s. Finally, the ton group covers steel, shipbuilding, construction machinery and other heavy industries.

The trend over the past few years has been for investors to be willing to pay a higher multiple of earnings for the shares of the gram group, a trend justified by the outstanding performance of this group. Since the beginning of 1980, just after the second oil crisis, the average share price of a select group of stocks in the gram group has risen almost five times. During the same period, the kilo group increased over 2.5 times, while the ton group advanced only marginally.

JUST ***why has there been such a strong interest in high technology in Japan recently, and what are the longer-term factors encouraging this interest?***

Nishio: The interest became apparent in the 1970s following the first oil crisis and with the realization that the fast economic growth of the 1960s was coming to an end. There have been three principal factors—technology, resources and markets—motivating the shift to high technology.

First, technology. In the aftermath of the war, Japan faced a wide technological gap between itself and the United States and other industrialized nations. The process of catching up has occurred at a rapid rate, and now Japanese companies find themselves in a position where they must continue to innovate if they are to sustain growth.

Second, resources. The growth of Japan in the 1950s and 1960s was a model case for traditional development theory. During this period, economic expansion closely correlated energy and resource consumption. With large tanker fleets and other facilities, Japan had developed the infrastructure to both import and export in large quantities. But the oil shock made energy and other natural resources both scarcer and more expensive. At that time, companies in many industries perceived a loss of comparative advantage and began to look for means to reduce their dependence on imported resources, while moving quickly to conserve resources.

Third, markets. Japan's economic growth owes much to the growth of demand in export markets, the success in developing superior mass production techniques and the aggressive marketing of Japanese firms. The slower rate of global economic expansion, however, has dampened the pace of growth in Japan's export sectors and forced firms to look for new avenues of growth.

Thus, the current awareness in Japan is that in order to survive and be able to support a large population living in a small area with few

natural resources, Japan must become a knowledge-intensive society. This implies a shift in the international division of labor as Japan sheds certain industries. And the perceived imperative to innovate has pushed Japanese firms in the direction of high technology.

WHAT ***effects will this new focus on high technology have on Japanese industry—including the growth, mature and depressed sectors—as well as on Japanese society?***

Nishio: I think Japanese society, and industrial society in general, is in an important period of transition. If we really take a long-term historical perspective, we see society moving from its hunting-gathering origins into an agricultural society and then on into the industrial society we find ourselves in now. With advances in electronics, however, we are on the threshold of an information society. The United States has taken the lead in making this transition, but Japan is not far behind.

Our analysis is that the process will be one in which the availability of information will accelerate the process of technological development. This in turn will open up new markets. To be honest, the process is already occurring at a faster pace than most experts anticipated—and the rate is likely to accelerate.

The implications are that information and new technologies will permeate every industry. Already, Japanese companies in various industries have indicated their commitment to use what experience and expertise they have accumulated to develop new technologies and products. For example, textile firms are developing carbon fibers. Food product companies are among the leaders in the biotechnology field. And firms in all industries are doing research on the implications of electronics for their businesses or even moving into the electronics industry itself.

The ultimate result of this trend will be a blurring of the traditional segmentation of industries. Companies in the kilo group are attempting to move into the gram group. Even firms in the ton group are trying to leap to the gram group, shedding the less profitable parts of their businesses in favor of information-based businesses. In terms most frequently used during the past decade, the move is in the direction of developing higher value-added products. The steel companies, for instance, are doing so with a variety of distinctive products. Some steel firms are even moving into engineering and chemicals. Right now our analysts are looking very closely at company strategies rather than just industry trends.

THERE ***has been much debate over what role government should play in promoting technological development. What is your assessment of the role of government in the high-technology sector in Japan?***

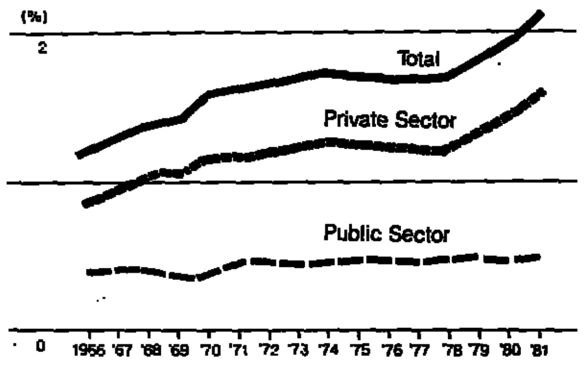
Nishio: This has been a difficult question. Unfortunately, much of the recent debate on the support of high technology—as embodied in the discussion on industrial policy—has drawn on political biases and has not been based on an objective analysis of the facts.

I think the facts in Japan are quite clear. Since the mid-1960s, the government has not had a direct hand in guiding the course of industrial development in Japan. Free competition and the market mechanism have been the basis of economic growth over the past two decades. The role of government agencies—a role that has been frequently misunderstood—has been to facilitate discussion among experts in the academic community and industry. These discussions have been directed at identifying emerging trends and pointing out potential problems facing the economy and society. This has taken the form of various advisory bodies.

In the high-technology area, we are facing a new set of problems. There is still much basic research to be done. Most of it is risky and time-consuming, yet essential for the benefit of both the national and global societies. Thus in Japan, as in other nations, the government is playing a limited role in supporting basic research. The initiative in commercialization, however, is taken totally by the private sector in Japan.

All the data which I have examined points to a much more limited role for government in Japan than in other industrialized nations. In Japan, the government is paying for approximately 30 percent of all research expenditures,

R&D Expenditures/GNP



excluding defense research, compared with almost half in France. West Germany, the United States and England are in between these two figures. Including defense expenditures, the contrasts are even more marked.

MANY ***management experts have commented on the long-term perspective from which Japanese management operates. Does this have any particular impact on the way in which Japanese firms proceed with research activities in the high-technology fields?***

Nishio: It certainly does. It means that they tend to increase research and development budgets regardless of where they are in the business cycle. As the accompanying graph indicates, as a percentage of GNP, the private sector in Japan has almost doubled R&D spending over the past 15 years, from 0.84 percent in 1966 to 1.59 percent in 1981. Even at the industry level, most industries have shown a steady uptrend for R&D spending as a percentage of sales.

One crucial component of this commitment to new product development is the ongoing competition for qualified personnel. In a recent survey, 46 percent of corporate managers said they were planning to hire more people with backgrounds in electronics and communications. The runners-up were mechanical engineering and applied chemistry. In many depressed industries, firms are only hiring research personnel.

SINCE ***Japanese firms are already at the leading edge of development in many fields, they are forced to innovate. How do you rate the innovative capabilities of Japanese firms, and what are the factors promoting or inhibiting innovation?***

Nishio: I think the numbers speak for themselves. If, for instance, we look at the balance of payments on technological transactions, Japan is still recording a deficit, but income as a percentage of disbursements has risen from 20 percent in 1971 to 67 percent in 1981. An analysis of new contracts is even more revealing. In 1971 income from new contracts was still less than disbursements, but by 1981 income had risen to 2.8 times disbursements. The clear conclusion is that Japan is an important exporter of technology—a role which I believe Japan will continue to play in the years ahead.

Another revealing set of numbers is patent applications. Over the past decade, the number of patent applications made each year in the United States has remained stable at about 100,000. In the major European nations, there has even been a slight downtrend. But in Japan, the number has gone from roughly the U.S. level to 191,000 in 1980. A significant number of these patents are in such leading edge technologies as optical fibers.

As I mentioned earlier, there are clear historical reasons for the Japanese motivation to innovate. In the process of rebuilding the Japanese economy in the postwar period, there was a severe shortage of engineers and other technical personnel. Many scholarship programs were launched to attract engineering students, and many academic departments and even new universities were established to train them.

At the same time, the emphasis within the natural sciences was different. In Japan it was necessarily focused on the applied rather than the theoretical. I always joke that the one results in patents and the other in Nobel Prizes. Japanese scientists should be aiming for a few more Nobel Prizes, contributing to basic research which will benefit mankind and not just individual corporations. At any rate, it has taken more than 20 years to solve the shortage of technicians, and even now demand is racing ahead of supply.

The telling comparisons are international ones. For the first time, Japan in 1973 graduated more electrical engineers—17,345—from universities than the United States and has remained ahead ever since. Relative to the size of the population, Japan has about as many research personnel as the United States and significantly more than West Germany or France. And as the number I cited earlier would suggest, the best scientific minds in Japan are going into the private sector rather than the defense industry.

WHAT ***implications does the focus on high technology have for the growth of venture businesses in Japan?***

Nishio: There are various institutional factors which suggest that Japan is not likely to experience the type of venture capital boom seen in the United States. There is, nevertheless, substantial room for small companies to grow and entrepreneurs to innovate. My argument is based on the observation that Japan has built an extremely strong base of companies which supply components or specialized pieces of equipment to larger manufacturers and assemblers. These subcontractors are not being left behind in the race to innovate. Many have the capability to accelerate their rates of growth. And the availability of new technologies will create market niches which are best filled by venture businesses.

JAPAN

Unloading cuttlefish at Uozu fishing port on the Japan Sea coast. Walter Miller

Fishing Industry Is Hurt by Fuel Costs, Water Pollution and Declining Stocks

By Walter W. Miller

UOZU — As dawn broke across Uozu's crescent-shaped harbor, Yasuyori Hamaoka offered no romantic visions about life as a fisherman. "The work is hard," he said, adding with a grin that "the only vacation we get is when the weather is bad."

Uozu is a city of about 50,000 people on the coast of the Sea of Japan, 500 kilometers west of Tokyo. Its history and traditions are deeply rooted in the sea.

Mr. Hamaoka, the managing director of the Uozu Fishing Cooperative, explained that the fishermen, who sail out of Uozu harbor every day the weather is good, are being hurt by steep fuel prices, water pollution and declining fish stocks.

The Japanese fishing industry in general also feels it is being hurt by the 200-mile economic zones established from the coastlines of some nations, particularly the quotas set for foreign fleets operating in these zones.

A government report issued earlier this year on the results of the fishing industry during fiscal 1981 said that fish farming should be increased to reduce dependence on deepsea fishing.

The Uozu Fishing Cooperative has been fish-farming for the last 12 years, Mr. Hamaoka said as he showed a visitor around the Uozu fish market, which early in the morning is jammed with buyers bargaining for tuna, flounder, shrimp, cuttlefish, sea bream, spiny lobster and yellowtail.

Mr. Hamaoka said that members of the cooperative get shrimp and flounder eggs from hatcheries run by the state, hatch the eggs and release the fry into the Japan Sea. "The results have been mixed," he said, "because the Japan Sea is an open body of water and the young fish often swim to other areas."

Since 1977, the government report said, 90 nations have established 200-mile economic zones and these "had a great impact on the fishing operations" of Japan. Fishing off the U.S. coast is one example: In 1977, the report said, before the United States declared its economic zone, Japanese fishing boats caught four million tons of fish in waters off the U.S. coast; four years later, this figure had been reduced by half.

Commenting on the industry as a whole, the government said that fishing around Japan must be expanded since negotiations for winning fishing rights "grow more demanding" every year.

Fishermen in Hokkaido, Japan's northernmost main island, face a more precarious problem: Their boats often are arrested by the Soviet Union.

Rich in salmon, turbot and cod, the waters off Hokkaido are contested by Tokyo and Moscow. The dispute involves four small islands — called the Northern Territories by Japan — seized by the Soviet Union at the end of World War II. (Because of this, Japan and the Soviet Union have yet to sign a peace treaty officially ending the war between the two countries.)

Having recently placed about 10,000 troops and a squadron of MiG-21 fighters on two of the islands, the Soviet Union shows no sign of relinquishing its hold.

From the Hokkaido port of Nemuro alone 1,200 boats and 8,500 fishermen have been seized by Soviet patrol boats since 1945. Boats and equipment are confiscated and the crews are held for two or three months; ship captains often are jailed for a year.

A more emotional and potentially more serious problem is the threat of sanctions imposed against Japanese fishing fleets by such countries as the United States if Tokyo refuses to adhere to the International Whaling Commission's total ban on whaling, which comes into effect in 1986. Japan, along with the Soviet Union, Norway and Peru, is a major whaling nation.

The number of Japanese involved in whaling stands at 1,000. Fifteen years ago there were 15,000. But there is no indication that the remaining Japanese whalers are willing to put aside their harpoons. The government says the industry produces about 17,000 tons of whale meat annually. But 60,000 tons are consumed here every year. The difference is made up by imports from other whaling nations.

Whalers expected Japan's whaling quota for the 1983-1984 season to be slashed during the July meeting in Brighton, England, of the International Whaling Commission. But it was left virtually unchanged from last year.

The early morning fish auction at Uozu. Walter Miller

Nevertheless, the United States, which supports the commission's ban on whaling, has asserted that, if Japan does not stop its whaling activities, heavy sanctions will be slapped against Japanese fishing boats operating in U.S. waters.

Such action could have a devastating impact on Japan's fishing industry, which gets two-thirds of its total catch from within the U.S. 200-mile economic zone. The $425 million worth of fish caught by Japanese boats in this area is 10 times the value of Japan's whaling industry.

Chuichi Ohmura, vice secretary of the Japan Whaling Association, has assailed the United States and other anti-whaling countries for trying "to force their opinions — and their culture preferences — on others."

"It is not," Mr. Ohmura said, "as if we are randomly slaughtering whales."

Two other problems facing the fishing industry are:

• As Japan ascended into the ranks of an economic superpower, changes in the Japanese diet occurred. The traditional diet of rice and fish is now being supplemented by large quantities of meat, eggs and dairy products. As a result, the Ministry of Health and Welfare said in a 1981 report, "the demand for marine products has leveled off."

• Urban attractions have lured an increasing number of young people from coastal towns who in previous years probably would have continued in the fishing industry. The government report on fishing said that during fiscal 1981 there were 449,000 people engaged in the fishing industry, a decline of 1.8 percent from 1980.

Agriculture: Inefficient Despite Strong Support

TOKYO — The government has built elaborate funding and support programs for agriculture, fisheries and forestry. Agriculture alone received 1.627 trillion yen in 1980. Each of the 600,000 full-time farm households received roughly 2.71 million yen in either services or funds. On top of that, there are 600,000 agriculture-affairs civil servants on central and prefectural payrolls and in the local cooperatives.

As a result, Japan's farming households receive almost personal service from the government. Despite this support, agriculture remains inefficient. The quality of farm produce in Japan is high, but so are the prices because productivity is low. The average Japanese farm is 150 times smaller than the average North American farm and 10 times smaller than the average European farm.

The farms keep an average of seven cattle, except in wider spaces of northern Hokkaido. On a point system based on 100, if Japan's wholesale price for beef is set at 100, then Australia's would be 33, the United States' 44 and the European Community's 70. Domestic wheat and soybeans are priced 3.8 times higher than imported wheat and soybeans.

Some of the high cost is because of distribution. Japan has had a highly developed wholesale and retail network since the 13th or 14th century and in 1975 it was estimated to have had more retail outlets and almost as many wholesalers as the United States, even though the economy was only one-third as large.

In 1981 there were 700,000 small food retail stores. Several factors are behind this explosion. Because of a lack of storage space in Japanese homes, consumers shop regularly; they like fresh vegetables and fish and buy almost daily.

The Japanese pay the highest price in Asia for rice, the staple of their diet, yet they cannot get the sweet tasty varieties desired, such as *sasanishiki* and *koshihikari*, because the government controls the rice crop and mixes all varieties in order to achieve "fair and equal" distribution.

A major policy change is being studied: to increase production through the most recent biotechnological methods such as genetic engineering and computer-aided environmental control.

A goal is to increase the average harvest by 1.5 times per unit by 1991 and use the surplus in food processing and as a feed grain and to make alcohol. Success will depend on higher-yield seeds. The plan therefore would include a collection of wild rice strains from Southeast Asia to improve Japanese strains.

The rice paddy is central to Japan's culture and, in times of flood, a critical reservoir. It is also the key to food security in any emergency. Consequently the Keidenran, the Federation of Economic Organizations, which campaigns for improvement in the rice crop and its distribution, does not want to see an influx of foreign rice into Japan. At the same time nutritionists and medical experts hope to encourage the Japanese to stay closer to a traditional diet of rice and fish and away from Western foods with more fat or protein.

Kozo Uchida, director of industrial affairs at the Keidenran, pointed out that, although food security is important, Japan depends on imports of food from abroad. Therefore, besides strengthening domestic productivity, improving the international competitiveness of its primary industries and stockpiling, Japan should maintain good ties with producer countries of key farm products.

He added that, although some domestic measures were required to protect beef and orange producers, liberalization of that market was also necessary.

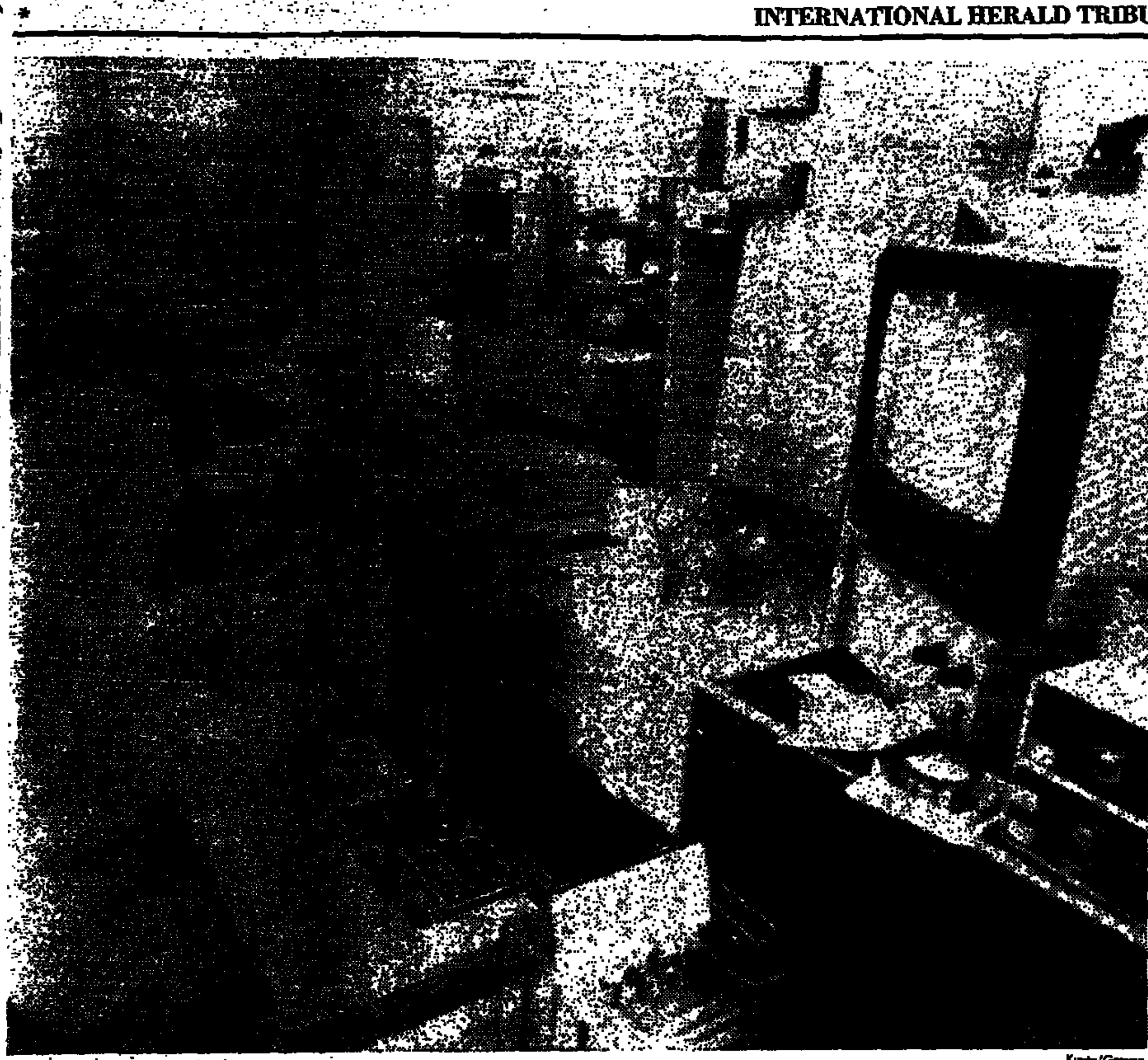
Of Japan's overall farm produce imports, the United States supplies about 43 percent. Japan also depends on the United States for most of its grain orders. Nevertheless, the United States has filed a complaint with the General Agreement on Tariffs and Trade accusing Japan of keeping import quotas on farm products in violation of GATT rules.

This step involves 13 of the 22 remaining items under quota after a reduction from 103 in 1962.

Beef and oranges are not on the complaint list at GATT, but then the United States is trading in these under agreements with Japan that are still operative.

Japan says it is willing to expand quotas, but not to liberalize.

— ROD O'BRIEN



Kurita/Gamma

Semiconductors are produced at the Nippon Electric Co. plant.

High-Tech: Leading in Several Fields

TOKYO — When Prime Minister Margaret Thatcher of Britain visited Japan last year, she reportedly remarked to a Japanese official explaining the workings of a robot that, if the West had invented it, the Japanese had improved it.

Since the end of World War II, Japan has had to contend with the charge that it is a nation of imitators, not inventors or innovators. Even in today's booming high-technology industry, Japan continues to be accused.

The accusation riles most Japanese, particularly high-technology analysts and scientists, who point to Japan's lead in the field of advanced ceramics, robots, optical fibers, video equipment and very large scale integrated circuits.

Masanori Moritani, a senior researcher in the Nomura Research Institute, said that Japan "has achieved formidable research and development capability in many advanced technical fields ... and has developed and marketed a long and growing list of innovative products."

Critics of Japan say that a prime example of Japan's inability to discover the seed of a new device and cultivate it to a useful marketable product is that only four Japanese have been awarded Nobel prizes.

Kenichi Ohmae, the managing director of the Tokyo office of McKinsey & Co. and holder of a doctorate in nuclear physics, scoffed at this contention and asserted that the Nobel prize reflects the "West's own value system."

He asked, "Is invention so important?" He added that many inventions credited to various Western countries were borrowed from other countries. One of numerous examples is the invention of the steamboat, credited to the United States because an American, Robert Fulton, built the first steamboat. But Fulton had spent 20 years in Europe gathering information about steam engines before returning to the United States to build the steamboat that made the historic trip up the Hudson River in 1807.

Mr. Ohmae added: "Japan didn't need to invent because it could buy technology cheaply and easily from the West. But where the West didn't have the technology needed, Japan came up with its own."

During the early 1970s, the United States led production of 1K RAM semiconductor chips, holding a 95-percent share of the market. Japan had 5 percent.

But even then the tide was beginning to turn in Japan's favor. Led by Nippon Electric Co. and Fujitsu, Japanese chip makers began pouring money into research and development and aggressively attacking their overseas competitors. By the late 1970s, Japan had grabbed a 40-percent slice of the 16K RAM market. And in the 1980s, the Japanese became the market leader in the current generation 64K chip, commanding a 70-percent market share. The race is on for the next generation chip, the 256K RAM, one that can store 256,000 bits of information or enough to store 5,000 words of text. Analysts in Tokyo say that Japan is six to nine months ahead of the United States in the development of the 256K chip.

Japan also is involved in another race with the United States to establish supremacy in the production of fifth-generation, or artificial intelligence, computers.

Last year the Ministry of International Trade and Industry launched a 10-year project to pioneer the development of fifth-generation computers. Involved in the project are Japan's top computer firms, including Nippon Electric Co., Fujitsu, Hitachi and Mitsubishi Electric.

In response to the ministry's project, the U.S. Defense Department announced in April its own fifth-generation computer campaign to compete with Japan.

Computer software is one field where the Japanese concede they lag behind the United States. Japan has about 30,000 packaged-software engineers, against 200,000 in the United States, according to a study by the Agency of Industrial Science and Technology.

In a bid to bridge this gap, MITI launched a five-year project, now in its third year, aimed at producing more made-in-Japan package software.

Much of Japan's current success in high technology, analysts say, is attributed to the process of initially producing an item under foreign license and, as Mrs. Thatcher said, improving it. This works to Japan's advantage sometimes, but not always.

A case in point is defense. Much of the military equipment used by Japan's Self Defense Force has come from the United States. And much of it is becoming outdated.

The F-15 jet fighter, the mainstay of Japan's air force, is made under U.S. license. A U.S. government official in Tokyo said that the F-15 "is 10-year-old technology."

There are definite signs that this dependence on licensed technology is changing, however. In 1981, Japan exported 2.8 times more licenses and patents, at a value of $330 million, than it imported, at a value of $115 million.

According to Masanori Moritani of Nomura, Japan's main strong point now is that Japanese high-technology companies focus their energies on fields in which major economic results can be expected in three to five years. "This means," Mr. Moritani said, "that Japan need not worry about the technology to support its international competitive power and economic strength in the '80s."

But this strength, he added, is the reverse side of Japan's main weakness: the development of future technology that will be appearing in the 1990s and early 21st century.

Specifically, Mr. Moritani and other analysts cite as examples the Josephson junction (which holds the promise of allowing ultrahigh speeds of data flow with low associated power consumption and which may supersede very large scale integrated circuits), three-dimensional circuits, chemical and energy technology and the charge-coupled device, a solid-state element used in place of camera pickup tubes. (Developed by Bell Laboratories, these are used in Japanese video tape recorder cameras.) Analysts said that the Japanese so far have not shown much interest in these areas.

Still, Mr. Moritani pointed out that in the production of future technology teamwork will be important, and here the Japanese excel. In the majority of projects conducted in advanced and future technology, he said, large numbers of researchers are involved. "What is desirable is that there be a mutual, beneficial stimulus, bringing forth a series of sparks and bursts of creativity," he said. Such a climate of creativity, Mr. Moritani believes, exists in Japan.

— WALTER W. MILLER

The Supercomputer Race Is Heating Up

By Roy Garner

TOKYO — Within the last year, three Japanese companies have announced progressively faster computers and three other firms have said that they are working toward joining the race for the supercomputer.

In doing so they have succeeded in challenging the United States in a field of state-of-the-art technology it has long assumed it dominated.

Meanwhile, in appropriately competitive spirit, the scientists at the U.S. supercomputer pioneer Control Data Corp. recently announced that by 1986 it intends to launch a machine that will take even supercomputers into a new generation. This "ultra-supercomputer" will have an operating speed of more than 10 billion calculations a second, compared with current supercomputers, whose speed is measured in "millions of floating operations a second" (MFLOPS).

For the United States, supercomputers represent an advanced computer technology of crucial importance in both military and specialized research fields. The prospect of any potential dependence upon, or inferiority toward, any other nation in such a vital area is a worrying one.

This concern was highlighted by discussions at a recent conference in Los Alamos, New Mexico, where delegates, alluding to a previous "high-tech" embarrassment, claimed that Japan's advances were having a "Sputnik effect" upon the U.S. industry.

Supercomputers are a very special breed of machine designed for use in such highly sophisticated operations as weather forecasting and undersea materials analysis, where the rapid processing of vast quantities of data is required. But in both Japan and the United States, the importance of supercomputer development as a means of maintaining the dynamism in the research and development work of computer manufacturers is more often cited by industry insiders than the potential end-product benefits of the machines when applied in these areas.

The three new supercomputer club members — Fujitsu, Hitachi and Nippon Electric Co., in that order of entry — have developed machines with operating speeds of 500 MFLOPS, 630 MFLOPS and 1,300 MFLOPS respectively, comfortably accelerating above the previous market leaders, Cray Research and Control Data Corp. of the United States.

The latest U.S. machines, the Cray X-MP with a speed of 630 MFLOPS, and Control Data Corp.'s Cyber 205, with 792 MFLOPS, are upgraded versions of machines in the 400-MFLOPS range that were rapidly produced when Fujitsu took Japan straight to the top position in the supercomputer race with its then "world's fastest" machine in July 1982.

Thus far, however, the indications are that Japanese sales have not gotten off the ground; there have been no firm orders despite the strong pressures to exhibit an installation for promotional purposes. Fujitsu, with its VP-200 (500 MFLOP) and VP-100 (250 MFLOP) having been on the market nearly a year, does not disclose its sales figures but talks only of a "possible order" from the Plasma Research Center at Nagoya University.

The two computers are available at a monthly rental price of 50 million yen and 6.9 million yen, respectively. Hitachi, which entered the market in August 1982, expresses a little more optimism and has, in common with Nippon Electric Co., announced a sales target of 30 units during the next four years. The company says that sales talks are in progress with several customers, and that there are plans to have two units in operation on its premises by October.

Hitachi plays down the apparent loss of product leadership to Nippon Electric Co., saying that it is difficult to compare the speeds of the systems, as each company has its own form of measurement, depending on the method of use of the machine. Hitachi has a "top end" unit of 630 MFLOPS, the S810-20, and a 315-MFLOPS "low end" model, the S810-10. Nippon Electric Co. only entered the market on April 21 this year, but did so with a flourish, announcing the "world's first giga-level supercomputer."

The Nippon Electric Co. machines, the SX-1 and SX-2, feature four high-performance vector arithmetic pipelines for multiparallel processing and achieve their high speed by use of 1,000-gate, 250 picosecond per gate delay time, logic large scale integration (LSI) circuits. They also have Japan's first water-cooled high density LSI packages, each containing 36 LSI's mounted on a 10-centimeter-square ceramic substrate.

Nippon Electric Co. expects to start deliveries in two years and is seeking a wider variety of customers for supercomputers than the mainly university applications of the past. The company said that for many, especially nuclear-related, companies a purchase could involve an "upward gradation from mainframe computers."

The rental price of the SX-2 is 90 million yen a month.

In addition to the three Japanese makers already in the supercomputer field, three more companies — Mitsubishi, Toshiba and Oki — are working on technology of their own and could eventually announce products.

All six companies are members of a cooperative supercomputer research project launched in 1981 by the Ministry of International Trade and Industry with a budget of 23 billion yen for eight years. Centering on basic research, the project aims to produce a machine with a power 10 times that of present day models, as seen in the United States, and includes special study of parallel processing techniques and of the potential role of the supercomputer as a component of artificial intelligence machines.

A research area of particular interest is the Josephson junction technology, which holds the promise of allowing ultra-high speeds of data flow with low associated power consumption.

The Japanese government's subsidy of its supercomputer research came under fire at the U.S.-Japanese meeting on high technology in Hawaii in July 1982. The United States representatives said that Japan's domestic computer makers were receiving an unfair level of support, and there were also complaints that no large U.S. scientific computers had been sold in Japan since 1980, a situation it blamed on government protectionism through domestic industry support.

For the Japanese government, the handling of this trade friction is an important task and adds to the diplomatic burden presented by Japan's success in another strategic area: semiconductors.

Although the high price of supercomputers might suggest it is a profitable line of business, their commercial potential is somewhat limited by the size of the total market. In Japan, the estimated ceiling for prospective installations is only around 100 units.

Japanese computer firms see supercomputers as having a high company prestige value both at home and internationally, but admit privately that there is really little need for so many makers in such a very narrow market.

The Japanese supercomputer effort makes most sense when viewed as part of a wider national drive for supremacy in the overall computer field, which takes in work on the various elements of the "fifth-generation computer" and research into such fields as semiconductors and voice recognition.

In the past, Japan countered U.S. criticism of its supercomputer policies by saying that the computers' development was in the earliest stages and that commercial production was far away. This reasoning has become outdated and, as Japan makes strides in this sensitive field, continued tension is to be expected.

Currency Speculation: How Long Will the Bandwagon Roll?

Special to the IHT

TOKYO — If there is one question that will make an economist cower behind his back issues of Econometrica, put his head in his *hands and moan quietly to himself,* it is this: How does one explain the yen's value against the dollar?

"Many economists are expecting the dollar to decline this year; some of them are looking for a very sharp decline, to 190 yen or 185 yen," said Natsuo Okada, chief dealer with Sumitomo Bank in Tokyo. "But they will have to change their minds, just as they had to change them last year. Then, some economists were also talking of a stronger yen and a weaker dollar, whereas in fact the yen sank as low as 275 at one point. This year, we are not at 275 yen, but I would not expect the dollar to fall below 240 yen. Basically, people in foreign-exchange dealing are not expecting the dollar to fall sharply within this year."

A yen trading at 240 to 250 to the dollar seems to contradict economists' established explanations of why exchange rates move the way they do. The oldest — and most popular — explanation relies on countries' inflation rates. According to this reasoning, the higher a country's inflation rate, the more its currency tends to drop in value against a stronger currency.

Supporters of the purchasing power parity theory, as it is often called, would argue that the percentage change in exchange rates would be similar to the difference between the two countries' inflation rates. Economists like that theory because they can explain how it works in practice: Buyers tend to acquire goods in a country where inflation is low. This tends either to push up prices there or to bolster the country's exchange rate, as people buy its currency in order to buy its goods.

They also like it because they can spend many happy hours playing with it, measuring prices in different countries and in different ways. Last — and often least — in the economists' scale of values, it tends to come up with the right answers. But not in the case of the yen.

According to the indexes of competitiveness compiled by Morgan Guaranty Trust, the yen's exchange value has been inordinately weak in relation to Japan's inflation performance. Japan's rate of consumer price inflation is low. Its rate of wholesale price inflation, which many economists would use as the better measure for exchange rate purposes, is lower still.

Recent data show roughly stable wholesale prices in Japan. Other industrialized countries' inflation rates have come under control, especially in the United States and Britain. But Japan remains the best of the major economies.

Thus, according to the inflation reasoning, the yen should have appreciated strongly. Morgan Guaranty's estimates suggest that, at 240 yen to the dollar, the yen is at least undervalued by 10 percent, compared to a base date of March 1973. *In 1982*, when the yen at times was trading at 270 to 275 to the dollar, its value should have been 15-percent greater than it was.

Morgan's calculations are consistent with the opinions of dealers in the Tokyo foreign exchange market. Many think that an appropriate rate would be about 220 yen to the dollar, or 10 percent better, if relative inflation rates were the driving factor on the exchange rate.

After the purchasing power parity theory, many economists would tend to look at the performance of Japan's balance of payments to determine a theoretical exchange rate. Again, facts and theory conflict.

The June 1983 report on Japan by the Organization for Economic Cooperation and Development estimated that the balance-of-payments surplus on current account in 1983 will be $18.3 billion. This figure is significantly more than twice the $7-billion surplus Japan's exporters achieved in 1982.

And the surplus is rising. For fiscal 1983, which ends in March 1984, the OECD suggests that the surplus will be $20 billion or more. Economic forecasters in Japan suggest that, if anything, the OECD's forecasts are on the low side.

The Mitsubishi Research Institute, in a recent forecast for calendar 1983 and 1984, predicted that this year's current account surplus will be *$19* billion, and next year's will be close to $24 billion. It is easy to discount some of the surplus as not really having much relation to the yen. Perhaps $5 billion can be explained by lower oil prices. But that still leaves at least $14 billion that in theory should be providing a groundswell of commercial buying support for the yen. Simple formulations of the theory, in short, do not work.

That leaves a trickier version of the balance-of-payments theory of exchange rates. It says: Do not look at the current account alone; there is more to exchange rate moves than purchases of goods and services; purchases of financial assets cause ebbs and flows in the demand for yen, too. The right measure to look at, on this reasoning, is *the basic balance — the sum of the* balance on current account and the balance on long-term capital account. That, its advocates said, is the best measure of whether traders and investors want to buy or sell the yen.

The latest issue of the Tokyo Financial Review, a monthly report published by the Bank of Tokyo, would seem to say that, at last, one of the economists' explanations works. Japan ran a basic balance deficit in fiscal 1981 of $9 billion, and another of $3 billion in fiscal 1982, the review said. So far, so good. The yen depreciated from an average 228 in fiscal 1981 to an average of 250 in fiscal 1982. All as it should be — except that Japan is likely to turn in a small surplus on its basic balance of payments of between *$1.5 billion* and $2 *billion* in the year to March 1984, according to the Bank of Tokyo's forecast. (The bank is close to other forecasters' predictions of Japan's balance of payments, counting on a $19-billion current account surplus this fiscal year.)

If the basic balance has turned around in Japan's favor, the yen should be feeling the benefit by now — foreign exchange dealers, no slouches at reacting to news before it happens, can read the review as easily as others. But they are not impressed. The only news the dealers want to watch is the trend in short-term interest rates in the United States.

If everyone else is moving into short-term dollar deposits, certificates of deposits and Treasury bills, and making exchange profits to add to internationally high interest yields, it is hard to stay aloof. The only explanation that fits, despite economists' attempts to construct more logical ones, is the bandwagon theory. But, as an economist will gleefully tell you, bandwagon effects have an *unpleasant habit of* setting off compensating forces that eventually derail them. One obvious one, which is in full swing, is through the balance of trade. Sooner or later, U.S. buyers will be loading up with so many Datsuns and Sonys, as a result of the strong dollar, that the trade balance will eventually become horrible enough to outweigh the funds pouring into *the financial markets.*

Right now, the dollar bandwagon is still thundering uphill. Perhaps late this year, perhaps early next, one speculator too many is going to get on, and a wheel will fall off. That is when the waggon will start to tumble back downhill. Will you still be on board?

Export Boom Fuels Recovery; Demand Lags

(Continued From Page 7S)

the job of building roads, dams and railways, and would hope to get an economic return from them.

Ultimately, an answer to the question of how best to stimulate the economy hinges on the yen and the budget.

Since Japan cannot persuade the United States to reduce the deficit that keeps U.S. interest rates high and the yen weak, some call for Japan to take steps to reduce its capital outflow.

So far the government has opposed any move toward capital controls, but it may have to reconsider its position.

Within the budget area, the current emphasis on cutbacks in spending seems too optimistic. Two other courses are possible: Either Japan learns to live with its large deficits, or it finds new ways to reduce taxes.

Japan has a high rate of savings, close to 20 percent, against about 5 percent in the United States.

That and the low rate of private borrowing for investment give the government room to borrow large amounts of private money to cover its deficits without fear of fueling inflation.

Concerning taxes, Japan would seem to have considerable leeway to shift from direct to indirect taxation.

Gamma

The Tokyo Stock Exchange during heavy trading.

JAPAN

Tension mounts during heavy trading at the Stock Exchange.

Foreign Stake in Stock Market Reaches Record

Special to the IHT

TOKYO — Whether one calls it news or history probably depends on one's proximity to Kabutocho, Tokyo's stock exchange district, but either way remarkable things are happening on the Tokyo Stock Exchange.

This year, for the first time, foreigners will buy more than 1 trillion yen ($4.15 billion) worth of Japanese equities. That is calculated net — new purchases less sales of equities purchased in the past. The latest figures from the exchange show that in July nonresidents increased their holdings of Japanese shares by 72.6 billion yen ($300 million), making it 11 straight months of net buying. During one week alone, July 18 to July 23, foreign buying amounted to more than 50 billion yen ($210 million) — the biggest single week's splurge on equities by overseas investors this year.

In the first seven months of 1983, overseas buyers bought a net 650 billion yen ($2.7 billion) worth of equities in Tokyo, and, given the recent acceleration in the rate of buying, there is talk around the exchange of a total for the year of about 1.3 trillion yen ($5.4 billion). That would far and away exceed the last boom in foreign buying, in 1980, when net buying nearly reached 850 billion yen (worth, at the exchange rate of the time, around $3.75 billion).

That is one remarkable development; the other is the record highs reached on the exchange during the summer. The most closely watched index of stock prices in Tokyo is the Nikkei-Dow Jones index. It reached a high of 9,112 on July 28 (which must have pleased the record number of overseas purchasers who had piled in the previous week) and although it relapsed for a week or two, the market subsequently surged to even higher levels. On Aug. 19, it surpassed its July 28 record and pushed up to just short of 9,140. Recently, it went higher still and was in the low 9,200s. Since February, when the index reach its year's low level of 7,918, the trend in share prices has been strongly up.

Foreign investment in Kabutocho is of relatively recent vintage. Nonresidents were net sellers in the period from 1977 to 1979 and, barring their rush to Tokyo in 1980, foreign buyers have taken only modest stakes in the world's second biggest stock market — net buying was about $1 billion in 1981 and fell to around $500 million in 1982.

By and large, it has been a record of missed opportunity for foreign investors. One million dollars would have bought at least 300 million yen in 1975 (the average exchange rate for the year was 296 yen to the dollar). Invested in representative stocks in Tokyo, and left there for the last eight years, it would now be worth a little more than $2.8 million (excluding dividends). That works out to an annual rate of return in dollar terms of 13.8 percent (a capital gain of 10.7 percent a year in yen terms and an exchange rate gain of 2.8 percent a year). Dividend payments added about 1.5 percent a year to the annual rate of return, giving a total rate of return of between 15 percent and 15.5 percent.

Discriminating investors, with a feel for the yen's value against the dollar and an eye for individual shares, could probably have done even better. Avoiding obviously depressed sectors such as housebuilding, shipbuilding, steel, and the general trading companies and retailers (all sectors whose share price indexes underperformed by comparison with the average for the market as a whole) would have boosted the yield of an overseas portfolio. Similarly, it did not require great investing expertise to weight a share portfolio with equities in companies making drugs, electrical and electronic goods, cars, office equipment, cameras, and precision instruments, all of which outperformed the market.

The important question for foreign investors is, naturally, whether the pattern of the last eight years will continue. To some extent, that is dependent on what happens to Wall Street. There is a school of thought that argues that Tokyo's Stock Exchange slavishly follows every move in the market in New York, and there certainly is a broad correlation, but that may be attributable to the similar economic conditions likely to affect the world's two major economies at the same time. So far, however, Tokyo's advance has not matched that of New York, where the Dow Jones industrial average is still about 35 percent up on its 1982 levels. There is a link between the markets, but it is not hard and fast, although New York's moves do tend to influence sentiment in Tokyo.

"Since it broke through the 1,200 barrier on April 26, the New York market has been in a phase of adjustment for the past three months," according to the latest Nomura Investment Review. "Nevertheless, few people believe that the market rally which has continued since last summer is over. Following the first wave that rose from 776.92 on Aug. 12, 1982, to 1,065.49 on Nov. 3, and the second wave that pushed from 990.25 on Dec. 6 to 1,248.30 on June 16, 1983, people are expecting a third wave to come. The question is what will trigger it and when."

A strong Wall Street will pull Tokyo with it, and conversely lower share prices in the United States will have a depressing influence. But the negative effect of a weaker Wall Street would not be very strong since the current advance in Tokyo prices seems to owe a good deal to domestic developments. There have been a number of widely publicized forecasts of higher corporate profitability during the second half of fiscal 1983 (the six months starting in September). Nomura Research Institute, for example, is predicting a 22.6-percent rise in corporate profits (excluding the volatile oil and coal companies) during the period. The summer's rise in the Nikkei-Dow index appears to have been driven by anticipation of better corporate results.

Foreign buying also tends to bolster sentiment in Tokyo. Overseas investors are often credited with a much greater expertise in portfolio management than they actually possess, and foreign buying of equities tends to have a multiplier effect on domestic buying. Since the outlook for foreign purchases is still strong, especially on the expectation of exchange-rate gains once the yen recovers from its undervaluation, the tone of the Tokyo market is likely to remain bullish.

One caveat: The more technically or chartist-minded investors may not like the shape of price movements in Tokyo. The July 28 peak had all the signs of a head in a head-and-shoulders pattern. The new Aug. 19-22 peaks seem to have

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National Debt Hits 100 Trillion Yen; Concern Is Voiced

By Robert Y. Horiguchi

TOKYO — The government, seeking to spend its way out of the recession caused by the first oil crisis a decade ago, shifted to deficit financing in the 1975-1976 fiscal year. Since then, it has depended on large issues of bonds to compensate for an annual budgetary revenue shortfall of about 30 percent.

In June this year, this continued borrowing brought the aggregate of national bonds outstanding, including other bonds issued to fund public works, to the symbolic crisis threshold of 100 trillion yen that prompted the Keidanren, the Federation of Japanese Economic Organizations, to warn that the "deterioration of public finances is advancing faster in Japan than in Europe or the United States." Ten years ago, the national debt amounted to a modest eight trillion yen ($33 billion).

As if haunted by a guilty conscience for having trampled on the injunction against intemperate borrowing contained in the Public Finance Law, enacted when Japan was under Allied occupation, successive administrations have attempted to put an end to this deficit financing.

In 1979, the then prime minister, the late Masayoshi Ohira, promised to put the national financial house in order by 1985. He proposed to steadily reduce bond issues so that they would be ended by the end of fiscal 1984. This undertaking was based on a bullish forecast that the economy would grow by a real 5 percent from 1979 to 1985 to generate enough tax revenue to make fiscal ends meet.

This was not to be. The second oil crisis and a subsequent worldwide business recession torpedoed the plan. Zenko Suzuki, who followed Mr. Ohira as prime minister, kept to his predecessor's pledge but resigned when he realized that he could not carry it out.

The present prime minister, Yasuhiro Nakasone, recently announced economic guidelines for the next eight years that would achieve a balanced budget by 1990 and halt the issue of deficit-financing bonds. In the current fiscal year, which started on April 1, the government will have to float so-called "red ink" bonds for the amount of 6.9 trillion yen, while interest payments on bonds account for more than 16 percent of the budget.

Takuji Matsuzawa, chairman of the Fuji Bank, put Japan's dependence on bonds to meet its budget deficit at 30.2 percent, against 15.2 percent for the United States and 15.4 percent for West Germany. He estimated that the outstanding balance of national bonds in proportion to the gross national product is 36.1 percent for Japan, 37.5 percent for the United States and 18.4 percent for West Germany.

The ratio of the budgetary deficit to net private savings, Mr. Matsuzawa said, is: Japan 35.2 percent, the United States 63.2 percent and West Germany 25.8 percent. On the basis of these figures, Keynesian economists in Japan believe that there are enough savings in the household sector to absorb deficit financing without crowding out private investment.

According to the Bank of Japan, personal savings at the close of the last fiscal year on March 31 amounted to 379.6 trillion yen.

But policymakers are nervous. They point out that Japan's per capita debt now exceeds 1 million yen. The Ministry of Finance further observes that the debt service burden will increase from 8.2 trillion yen this fiscal year to 12.9 trillion yen in fiscal 1986.

Moreover, beginning with fiscal 1985, the Treasury will have to begin redeeming 10-year bonds, which constitute the bulk of the "red ink" paper that has been heavily issued since 1975. Bonds reaching maturity at that time will amount to 9.7 trillion yen, consisting of 7.4 trillion yen in construction bonds and 2.3 trillion yen of the deficit-financing variety.

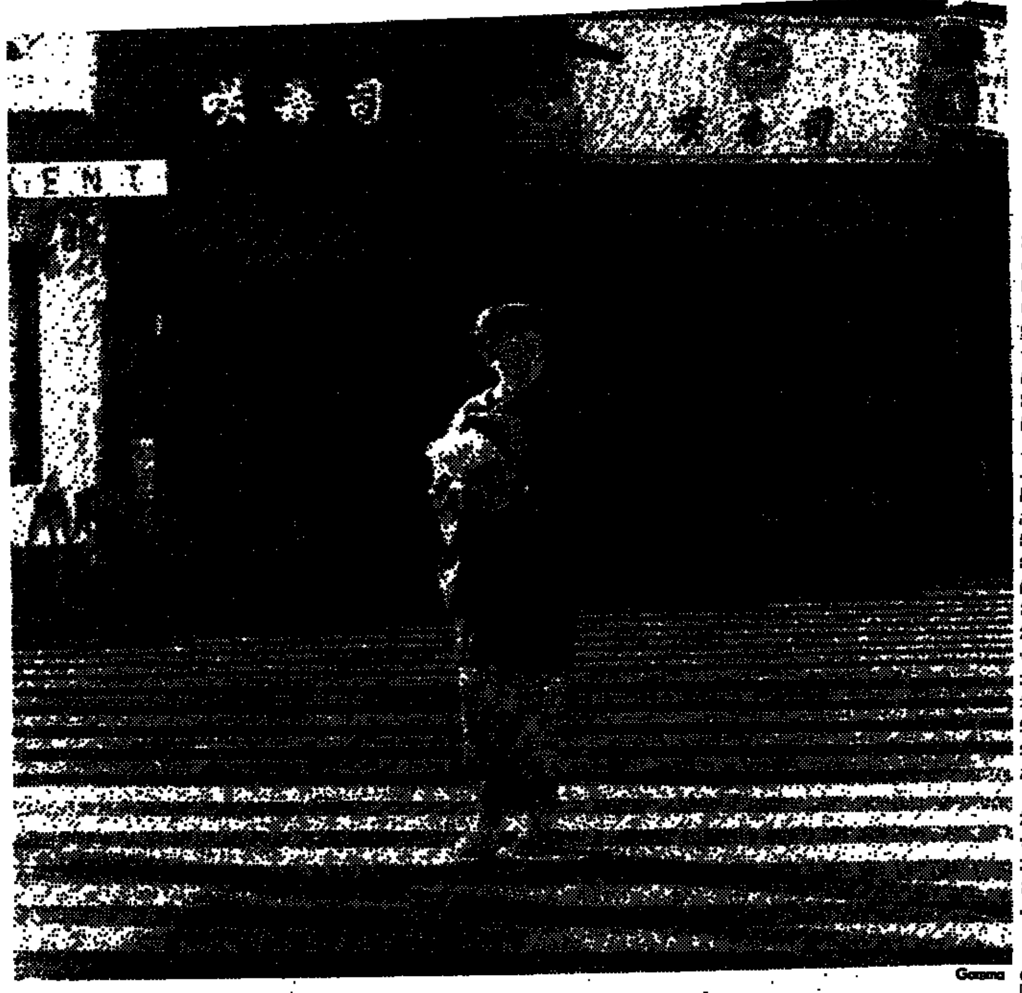
According to law these maturing bonds must be redeemed in cash. Theoretically, funds for this purpose should be available in the Bond Amortization Fund, which is maintained by transfers into it from the general budget account of an amount equivalent to 1.6 percent of the outstanding balance of national bonds at the close of the penultimate fiscal year, and half of the budget surplus.

Because of the shortage of funds, however, such transfers have been interrupted for the last two years with the result that the fund will be exhausted by fiscal 1985. The government is expected to have to resort to issuing new bonds to redeem earlier issues. Such action would require amending the law that specifically prohibits issuing bonds to redeem those reaching maturity.

This development threatens to complicate the implementation of the new economic guidelines that foresee an inflation-adjusted 4-percent growth during the next eight years that, coupled with substantial reductions in government expenditures achieved by far-reaching administrative reforms, would make revenue match outlays by 1990.

To absorb bonds that will have to be issued to redeem those reaching maturity, Mr. Matsuzawa urges that they be purchased by the government's Trust Fund Bureau by carrying out a drastic revision in the way funds are allocated in the fiscal loan and investment program. This program, also known as the second budget under Japan's two-tier fiscal system, provides funds to the Development Bank and various other public financial institutions and corporations.

The Trust Fund consists of postal savings deposits, in addition to premiums for postal insurance and contributions to national pension and welfare annuity systems. At present, the Trust Fund holds 20.8 percent of the national bonds outstanding against 27.9 percent owned by banks, 42.6 percent by individuals and corporations, and 8.6 percent by the Bank of Japan.



A woman dressed traditionally on a Tokyo street.
Gamma

Trade Issues: A Japanese View

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nating against American and other foreign goods?

The extent to which any country's markets are open to foreign goods is a matter of degree. No country's markets are completely open. In Japan, as in all other countries, there are "obstacles" to imports that are based on custom, established commercial relationships, consumer taste and so on. No discrimination such as has been suggested exists in Japan.

While most Japanese businessmen agree that, in the United States, business activities can be conducted relatively unhampered by administrative constraints, many feel that they are often harassed by unjustifiable legal actions taken in the areas of anti-dumping, countervailing duties, etc. In Japan government subsidies for exports no longer exist.

From the standpoint of Japanese tariff levels and quantitative restrictions, the Japanese market is as open as that of any other major industrialized country.

The average Japanese tariff level is actually lower than that of the United States and the European Community. It will be even further reduced to an average of 3 percent when the Tokyo Round is fully implemented by 1987 (tariff rates for the United States and the EC will average 4 percent and 5 percent, respectively).

Since December 1981 the Japanese government has begun unilaterally accelerating its tariff reduction schedule ahead of the agreed timetable on some 1,653 items (representing approximately 60 percent of all tariffs) by an average of 16 percent. Some additional reductions and elimination of tariffs followed in May 1982. Most recently, unilateral and substantional cuts in regard to politically sensitive items including cigarettes, chocolates and biscuits, etc., were also added to the package.

Japanese import items still restricted by quota are much fewer in number than those of France and Italy, and restrictions on agricultural products (including beef and oranges) are not significantly different from those restrictions in the United States on sugar, dairy products or beef in terms of their political implications.

Japan has been substantially increasing its quotas on oranges and beef. It is not widely known that 44 states in the United States prohibit the entry of Japanese mandarin oranges. Thirty percent of Japan's domestic consumption of beef is imported while the United States restricts beef imports to 8 percent of domestic consumption under the Meat Import Act.

Japan, despite restrictions on politically sensitive items, represents the largest market for U.S. agricultural exports, absorbing, last year alone, $6.6 billion worth of farm products, comprising more than the total of all U.S. farm exports to the Soviet Union, Eastern Europe, West Germany and Britain combined.

What we hear most in the United States are arguments claiming that it is difficult to export to Japan not because of the institutional barriers, such as tariffs and quotas, but because of invisible restrictions in the form of inspection standards for imported goods, safety regulations, etc., and even an alleged collusion between government and business to keep foreign goods out (the so-called non-tariff barriers.)

Japan, which historically has been a very regulated country, where government maintains a wide responsibility over the private sector and even assumes liability for damages caused directly or indirectly by business activities, has more bureaucratic constraints than the United States. This may make it resemble more closely the situation in some European countries.

Since the liberalization of trade in regard to tariffs and quantitative restrictions initially made great strides in the 1960s, certain areas, such as those related to inspection and standards, were perhaps slow to evolve. In any event, Japanese regulatory measures are not of a discriminatory nature.

The package of administrative reforms, the preparation of which began under Prime Minister Yasuhiro Nakasone, while he was serving as a minister in the Zenko Suzuki cabinet, is directed to reduce government expenditure with a concurrent aim at deregulation by eliminating or reducing excessive bureaucratic controls.

The Office of Trade Ombudsman (OTO), established last year, specifically deals with complaints about invisible trade barriers. The door is open for those who seek a solution to their problems.

There have been some disparaging remarks about the effectiveness of the OTO. A new institution requires time to establish a reputation and, in this sense, the OTO can only be effective if those who wish to import goods into Japan make use of it.

Certainly, there is no quick fix for increasing imports into Japan. Japan first began manufacturing operations when European suppliers, who had traditionally provided Japan with manufactured goods, became unable to do so with the onset of World War I. Since then, intense competition in the huge domestic market (only 14 percent of Japan's gross national product is dependent on exports while most European countries depend on exports for one-third to one-half of GNP) has served as a great catalyst to upgrading product quality. Japanese consumers, who had preferred foreign goods for their quality and status appeal, gradually turned to the greatly improved domestic products. Japanese society has reached a level of relative affluence and most households are now equipped with a complete range of modern conveniences. Just as in the United States, when a given market becomes saturated, competition becomes more severe.

While the rewards of success are substantial, Japan is a challenging and demanding market. Under our market system, where the price mechanism prevails, rewards go only to those who have studied the market, identified the opportunities, adapted their products to the needs and tastes of the consumer, and committed their time and resources to develop an effective business organization. Those who succeed do not usually tell potential competitors how well they are doing.

Some U.S. companies enjoy a major share of the Japanese market in regard to certain products. For example, in the field of high technology, IBM and Sperry jointly hold a 56-percent share of the Japanese market in the field of large capacity computers, while Schick razor blades hold a 70-percent share. It is also possible to cite other, more famous cases, and ones less so, of those who have attained great success in the Japanese market. Those who have succeeded in the Japanese market really should make an effort to inform the U.S. public that the Japanese market is accessible and profitable for those who respond to the challenge.

• Is the U.S.-Japan trade deficit increase caused by the "closed" nature of the Japanese market?

The factor that most influences the flow of trade between the United States and Japan is the strength or weakness of consumer and industrial demand in each

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Trade: A U.S. View

(Continued From Page 9S)

Again, the contrast is one of degree. Japan protects its consumers from products it does not even grow (for example, by grapefruit juice quotas and a seasonal tariff on bananas, both to protect its Mikan orange farmers). This ultrasensitive defensiveness against non-problems hurts Japan's credibility in other areas where it has legitimate concerns to be considered.

A discussion of trade relations with Japan cannot be complete without touching on the issue of the yen-dollar exchange rate. I find it difficult to single out and accuse Japan of intentionally cheapening its yen in order to increase its international competitiveness, when U.S. monetary policy remains subject to criticism as promoting an unreasonably expensive dollar. It is true that Japan finances its government debt at something less than market-clearing rates by more or less forcing its banks and financial institutions to buy this indebtedness. This artificially reduces the cost of credit and the value of the yen, but there is probably no country that does not artificially attempt to "induce" results out of its monetary policy.

After all has been said, however, and despite our trade difficulties with Japan, we in the United States are very lucky that Japan exists as a vibrant, progressive, friendly, republican form of government. The innovations that the Japanese have produced have enriched our lives and have shattered our complacency with ourselves and our competitive prowess. There is no question that the United States — and Europe too — will respond to the challenge by regaining those traits that created our wealth in the first instance. As this occurs, we will have, in good measure, the Japanese to thank.

Stock Exchange

(Continued From Preceding Page)

canceled out what was looking like a bearish turn in the market, but there could be some short-term correction from the 9,200 level. On more financial indicators, there is also room to argue that the market has temporarily overreached itself. The price-earnings ratio for the leading industrial companies as a whole during the first half of this year was over 27 times, near its high. That was before the further rise in prices in July and August, suggesting that shares are even more speculative now. Given the short-term volatility of the market, Tokyo is not a good place for investors thinking of the next few months.

JAPAN

Personal Savings Reach Record 80 Trillion Yen

TOKYO — Over the centuries, the prerogative of the Japanese housewife was *shamoji-no-ken*, the right to the rice ladle. This right symbolized her authority on how much of the staple food her family could consume and, by inference, gave her control over household finances.

Even when Japan was a feudal patriarchy — when women bowed successively to the authority of the father, husband and son — most women were entrusted with managing the family treasury. It remained customary, even in modern times, for husbands to give their wives their unopened pay envelopes and let them decide how the contents should be allocated.

The advent of electronic banking has diluted — but only slightly — this traditional feminine right. Because wages are often paid directly into bank accounts and credit cards are easy to obtain, it would follow that husbands would be freed from asking their wives for lunch and cigarette money. But a recent survey of several nations made by the Prime Minister's Office has revealed that traditions die hard and that in 79.4 per cent of Japanese households the wife still controls the finances.

By comparison, the survey found that women controlled the finances in 22.2 percent of Swedish homes and 11.5 percent of West German homes. In many other countries, including the United States and Britain, the predominant response was that husbands and wives shared the decisions.

Japanese sociologists are unanimous in concluding that this continued female domination of household finances explains why the Japanese save an impressive 21 percent of their disposable income, against 5.7 percent in the United States, for example.

The government encourages savings through generous tax exemptions on interest on bank deposits, postal savings and national bonds. Postal savings have a tax exemption on interest on deposits up to three million yen a person but there is no effective ban on the opening of accounts in several names. Postal savings are thus an important medium of tax savings. As a result, there are more postal savings accounts than there are people in Japan.

The outstanding balance on such accounts, principal and interest combined, reached 80.4 trillion yen in July this year for a *fourfold* growth in eight years. This represents 21 percent *of the nation's personal savings, which amount*ed to 379,658 yen as of March 31, up 11 percent *from a year earlier.*

The same tax exemption applies to interest on passbook bank *accounts that do not exceed* three million yen. Personal deposits in banks *almost matched those in postal savings accounts* as they amounted to 80 trillion yen on March 31.

Interest on national bonds up to a face value of three million yen is also tax-free, in addition *to that on five million yen in installment savings* accounts intended to serve as personal pension *funds for employed persons.*

This bring to 14 million yen the total amount in bank and *postal deposits and national bonds* on which interest is tax-free.

As the average annual income of Japanese households grew 3.33 times between 1970 and 1980, *savings per family increased 3.6 times* during the same period, according to government statistics.

If the amount of life insurance policies that were purchased during that time increased 3.15 times, the value of stocks acquired by households registered only a 2.2-fold growth.

This relatively small increase in stock purchases is attributed to the fact that the Japanese, unlike individuals in other industrialized nations, do not look upon shares as a source of dividend income. The reason for this is that the yield on component stocks of the Nikkei-Dow Jones average, consisting of the 225 issues traded on the top-ranking first section of the Tokyo Stock Exchange, is only 1.4 percent. The yield for all other stocks is 1.7 percent.

As a result, individual investors in Japan hold only about 30 percent of the shares.

With political and social conditions continuing to remain stable and with inflation being held to an annual rate of 2 percent, few Japanese find an incentive to buy gold, the favorite hedge of many of their Asian neighbors against natural or man-made calamities.

What, then, are the Japanese's motivations to save?

A *Prime Minister's Office survey has shown* that 70 percent do so to avoid finding themselves wanting in their *old* age. The increase in so-called nuclear families (consisting only of a couple and their children), brought about by rapid urbanization, has contributed to the erosion of traditional values calling on children to care for their aged parents.

— ROBERT Y. HORIGUCHI

Investment Overseas For Manufacturers Beginning to Pay Off

By Tim McGirk

LONDON — Japanese companies, makers of everything from video-cassette recorders to zippers, are attempting to surmount Europe's trade barriers by building more factories in the EC countries that rely on locally manufactured parts.

The Japanese are latecomers to Europe. Their first step in overseas production was in Asia, then Latin America — both sources of cheap labor. But as restrictions against Japanese exports tightened in the United States and Europe, they began setting up plants inside the countries of their industrial competitors, too.

The gamble has paid off. In the last decade, the growing protectionist attitude of European governments has prodded Japanese firms to overlook their previous reservations over the Common Market's notoriously expensive and strike-prone labor force. Today, there are more than 100 Japanese fully owned or partly owned plants spread throughout Britain and Europe; their output is high, and the quality of their goods has stimulated their European competitors.

Figures compiled by the Japanese Ministry of International Trade and Industry show that direct investment in EC countries and Spain increased from $798 million in 1981 to $876 million last year, most of which was pumped into manufacturing. This was directed to West Germany, Britain, Luxembourg and France, in that order.

Consumer electronic goods are the biggest money-makers for Japanese firms in Europe, followed by automobiles, chemical products and such varied manufactured products as zippers (YKK, with *annual sales of $140 million*) imitation-suede clothes (Toray, with sales of $4.1 million annually).

Britain was most frequently chosen by Japanese *firms as an entry* point into EC countries. Most Japanese management personnel are schooled in English, and market expertise acquired in the United States and Canada seemed best suited to Britain. There are 26 Japanese companies manufacturing in Britain, with at least another two — Honda and Fujitec, the elevator makers — on the way.

Although Japanese investment in Britain rose from $110 million in 1981 to $176 million last year, the government complains that the Japanese manufacturing projects are simply "screw-turning" ventures that do not provide enough jobs. The government is peeved because it offered the Japanese tax incentives to settle in high-unemployment regions. In 1980 and 1981 new Japanese manufacturing operations created 2,400 jobs, while last year the figure fell to only 155.

Some Japanese firms are worried that Britain's feud with the Common Market may in the future hamper the entry of their British-made products into the rest of Europe. There were persistent reports last year, for example, that Nissan intended to cancel a £500-million car plant project if the Labor Party had won and decided to pull Britain out of the Common Market. However, Nissan's British adviser, Lord Marsh, denied that this factor entered into the company's considerations over whether to build a 20,000-car-a-year plant on England's east coast.

At first, arriving Japanese executives and Britain's labor force viewed each other with mutual dread. However understanding the Japanese may be of Britain's own *cuppa* tea ceremony, one Japanese businessman was appalled recently when union members at British Leyland closed down a plant for several weeks because management tried to eliminate a 15-minute afternoon tea break. The idea of performing early *morning* exercises to the company time was equally alarming *to British employees.*

Matsushita Electric makes its National Panasonic color television sets and stereo tuners at various plants in Cardiff, Wales. Its 500 employees produce 120,000 sets a year — and no one sings the company song. One shop steward said, "We may sing the Welsh national anthem sometimes, but that's all." Shunji Matsuoka, managing director of Matsushita's Wales operation, said that productivity in the British plants was lower than in Japan but still good by British standards. One-third of National Panasonic's sets are exported to other EC countries.

British executives who recently toured Sony, Toshiba, Toyota and Canon plants in Japan came back stunned. The Japanese secret, as they saw it, was not in the automation — for most of the machinery they saw was old even by British standards — nor in the management but simply in the brisk effectiveness of its shop-floor workers. *A British executive on the tour* remarked how in his plant there were nearly 30 nonproductive workers holding supervisory jobs — while *few were in evidence at the Japanese* factories.

Mr. Matsuoka said that the British assembly line worker was just as *talented as his Japanese counter*part. "But in Britain," he said, "*there is a poor attitude toward* concentration on work and the de*termination* to achieve a good product."

This lack *of concentration shows* most in the patchy quality of locally *made components*. At present, National Panasonic buys about 70 percent of its components in Britain. Television sets are built with minute, intricate circuitry welded onto a chassis, or a board, so that if one component fails, the chassis has to be ripped out and replaced at high costs. The repair bills can be so staggering that the consumer would hesitate to buy the same brand again. So with its reputation at stake, National Panasonic decided to control the quality of every British-made part that enters its plants. Any flawed component is sent back to the supplier with a detailed explanation of what went wrong.

Since the Japanese company's British subsidiary finds itself rejecting anywhere between 1 percent to 50 percent of its locally supplied parts, National Panasonic's management has often found itself on a determined quest for reliable subcontractors

. Electronics makers in Japan aim for an impossible 100-percent perfection, but British — and most European — manufacturers aim lower for an accepted quality level.

British electronics companies such as Thorn or Plessey often find their attempts to improve productivity thwarted by stodgy unions that fight automation and resist fluidity in the labor force.

But both Sony and Matsushita struck an agreement with the Trade Union Council that limited employees to one union.

Without that agreement, it is doubtful that these Japanese giants would have settled in Britain.

In class-conscious Britain, members of the General and Municipal Workers Union were surprised to see Japanese managers on the shop floor, sharing the canteen facilities and wearing the same uniforms as they were.

At National Panasonic's Cardiff plant, only the managing director, Mr. Matsuoka, has an office with a door. Discipline is strict — workers arriving even one minute late lose some pay and a weekly bonus — wages are slightly lower than in British electronic plants and, as a result, the job turnover is far higher than in Japan.

Japanese executives — and National Panasonic has 15 of them in Cardiff — are careful not to demand family-style loyalty of their British employees.

Instead, they feel that they can improve performance by example.

Matsushita first began exporting its electronic products to Britain in 1972; since the National Panasonic plant opened in 1976, sales have increased by 700 percent.

Andy Imura, managing director for the company's overall operations in Britain, has even been asked by the British government to act as special adviser on the long-term plans of the local electronics industry because of National Panasonic's brilliant record.

However, not all Japanese forays *into Europe have automatically* been successful. As yet, no big Jap*anese ventures in Europe* have been forced to shut because of the reces*sion, but, according to trade offi*cials in Tokyo, few are making comfortable profits.

Some European manufacturers — Thorn in Britain and Alfa Romeo in Italy — have chosen to join their former Japanese competitors in specific projects.

Others, however, complain that the flood of Japanese products on the European market — some of them put together with the bare minimum of local parts to avoid the trade restrictions — are jeopardizing industrial recovery.

So Japanese firms may find themselves having to use more locally produced goods at the expense of quality. Although they may be forced to use more locally made goods in Europe their desire for perfection in manufacturing has helped to improve the general quality of manufactured goods.

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Trade Issues: A Japanese View

(Continued From Page 16S)

country. U.S. *exports to Japan have been facilitated* over recent years by measures taken to further open the *Japanese market. Although these measures have* not been dramatic individually, they have been taken *gradually and steadily and their accumulated effec*tiveness is certainly evident.

Japanese imports from the United States doubled in value from 1974 to 1981, at the same rate as its exports to the United States. The year 1979 recorded a 36-percent increase in imports from the United States, while Japanese exports to the United States during the same year were only up 9 percent.

During 1982, when the world recession greatly hampered world trade, U.S. exports decreased globally by 9.2 percent, while only by 3.9 percent in relation to Japan.

Nearly half of Japan's imports from the United States are industrial raw materials and foodstuffs that are not subject to customs duties. Their magnitude *directly reflects industrial and consumer demand.*

In 1981 Japan's manufactured goods import ratio from the *United States was 45.3 per cent. In 1982,* while total imports from the United States decreased by 4 percent, manufactured goods imports maintained the same level (about $11.5 billion), increasing the ratio to 47.4 percent.

Much has been said about the manufactured goods import share being lower in Japan than in other industrialized countries. Japan's extreme scarcity of land area and natural resources makes it imperative to import most of its needs in raw materials and foodstuffs. It stands to reason that Japan's ratio of primary product imports is bound to be higher than that of other developed countries. The manufactured goods import share has fluctuated between 22 percent and 26 percent in recent years. Japan's energy import bill amounts to almost half of its global imports. Even a small savings in our oil consumption increases the manufactured goods imports ration.

Japan, with *10* times the *GNP* of Switzerland, imports an amount only equal to that of Switzerland, while *the United* States, with 22 times the GNP of Belgium, imports only twice as much as Belgium. *Small* countries *with advanced economies are relative*ly more dependent on the international economy than are larger nations.

It is obvious that the share of manufactured goods to *total imports for widely industrialized* countries such as the United States and Japan cannot be compared with that of countries like Switzerland or Belgium where the structural aspect is quite different. The assertion that the main cause of the deficit lies in the "closed nature" of the Japanese market is substantially overstated.

● Is competition from Japan the main cause of U.S. unemployment?

U.S. industry is undergoing structural changes from the labor-intensive sector to the high-technology and service industry areas. Except for the housing sector, where unemployment was caused mainly by high mortgage rates, these structural changes coupled with the increase in new job-seekers, a result of the trend toward two-income households, have contributed to the unemployment situation.

Undoubtedly, there are sectors of U.S. industry that had lagged behind in productivity because of overly *permissive wage policies and lack of reinvestment for* upkeep and modernization. Some U.S. sources sug*gested in 1980 that perhaps these sectors have suffered* in the face of foreign competition. The steel and automobile industries represent *typical* cases where the Japanese have the edge over their U.S. counterparts. Because of their visibility in the U.S. economic, social and political scene, it was easy to cite Japanese imports as the cause for unemployment. Some U.S. sources suggest that perhaps the loss of about half a million jobs may have been related to Japanese competition. This would represent only about 6.5 percent of the total unemployment figure of 7.5 million for that year.

International Bond Prices — Week of September 9

(Continued from Page 6)

dm 400	World Bank	6 1/2 '87 May	96 3/4	7.63		6.72
dm 250	World Bank	6 3/8 '88 May	96 1/2	7.27	7.86	6.61
dm 150	World Bank	8 1/2 '88 Jun	102	7.98		8.33
dm 200	World Bank	6 '88 Aug	99	6.34		6.06
dm 200	World Bank	7 3/4 '88 Aug	98 1/4	8.19		7.89
dm 500	World Bank	5 3/4 '90 Feb	90 1/2	7.65	8.13	6.35
dm 200	World Bank	10 '90 May	107	8.59		9.35
dm 700	World Bank	8 '90 Aug	99 1/2	8.09		8.04
dm 100	World Bank	11 '91 Sep	112	8.87		9.82
	IRELAND					
dm 100	Ireland	10 1/8 '86 Dec	105 3/4	8.08		9.57
dm 100	Ireland	9 1/2 '87 Sep	105	8.02		9.05
ldm 12	Ireland 7.5503	7 '88 Jan	96 1/2	7.96	8.67	7.25
dm 100	Ireland	8 1/2 '90 Jul	100 1/4	8.45		8.48
	ITALY					
dm 100	Anas Azien Naz Auton	8 1/4 '88 Jun	100	8.24		8.25
dm 100	Consorzio Di Credito	8 1/2 '91 Jan	99 3/4	8.54	8.57	8.52
dm 100	Crediop	6 '97 Jan	99 1/4	8.13	8.22	8.06
dm 150	Ferrovie Dello Stato	8 3/4 '88 Mar	100 1/2	8.61		8.71
lam 5	Turin City 11.06	6 1/2 '84 Oct	97 1/2	8.93	10.64	6.67
	JAPAN					
dm 50	Bank Of Tokyo Curacao	8 3/8 '87 Jun	101 1/2	7.90		8.25
dm 100	Bank Of Tokyo Curacao	7 1/4 '90 Feb	98	7.65		7.40
dm 40	Hazama-Gumi Ltd	8 3/4 '85 Jun	101 3/4	7.67		8.60
dm 50	Hitachi Zosen	5 3/4 '83 Dec	100 1/4	4.81		5.74
dm 100	Industrial Bank Japan	5 '84 Jan	99 3/4	5.81		5.01
dm 100	Japan Air Lines	8 1/8 '87 Nov	103 3/4	7.07		7.83
dm 100	Japan Develop Bank	7 5/8 '87 Sep	101 3/4	7.11		7.49
dm 100	Japan Develop Bank	7 1/2 '90 Jul	99	7.69		7.58
dm 40	Japan Synth Rubber	10 1/4 '85 Apr	102	8.88		10.05
dm 81	Jusco Co Ltd Osaka	5 3/4 '88 Feb	133			4.32
dm 100	Kansai Electric	6 3/4 '84 Mar	99 1/2	7.83	7.83	6.78
dm 100	Kansai Electric	7 3/4 '86 May	100 1/2	7.53	7.42	7.71
dm 100	Kobe City	6 3/4 '84 May	99 1/2	7.56	7.56	6.78
dm 100	Kobe City	7 3/4 '86 Feb	101	7.28	6.98	7.67

dm 100	Brazil	8 3/4 '86 Oct	88 1/2	13.45	17.48	9.89
dm 150	Brazil	7 1/4 '87 Jan	75	17.50		9.67
dm 150	Brazil	8 '87 Aug	78 1/2	15.56		10.19
dm 100	Brazil	6 3/4 '87 Oct	82	12.53	16.62	8.23
dm 150	Brazil	9 1/4 '88 Jun	83 1/2	14.15		11.08
dm 25	Venezuela	6 '88 Mar	76 1/2	12.10		7.84
dm 150	Venezuela	6 1/2 '90 Nov	73	12.28	14.72	8.90
dm 150	Venezuela	9 3/4 '90 Nov	91	11.63	12.15	10.71
dm 100	Bnd (Argentine)	7 1/4 '86 Mar	83	15.80		8.73
dm 200	Bnde (Brazil)	6 3/4 '86 Mar	76 1/2	19.89		8.82
dm 100	Bnde (Brazil)	8 1/2 '87 Apr	87 1/2	12.99	15.41	9.71
dm 150	Comp Energ Sao Paulo	7 '87 Nov	98 1/2	9.84	12.15	7.73
dm 70	Comp Vale Do Rio Doce	9 '84 Feb	98	14.32	14.32	9.18
dm 100	Comp Vale Do Rio Doce	8 1/2 '86 Dec	97 1/2	9.41	10.11	8.72
dm 150	Eletrobras	6 3/4 '86 Apr	76	19.01		8.88
dm 100	Eletrobras	7 '87 Feb	73 3/4	17.58		9.49
dm 150	Eletrobras	7 '87 Sep	81 1/4	13.28	16.51	8.62
dm 150	Light-Servicos Brazil	6 3/4 '86 May	77 1/2	17.78		8.71
dm 125	Light-Servicos Brazil	8 1/2 '90 Jan	76 1/4	14.31	16.32	11.15
dm 150	Petrobras	7 '84 Oct	89	18.90		7.87
dm 100	Petrobras	7 '88 Oct	77 1/2	13.23	14.48	9.03
dm 125	Petrobras	8 '89 Oct	72 1/2	15.07	17.79	11.03
	SPAIN					
dm 200	Spain	6 3/4 '84 Aug	100	6.74		6.75
dm 200	Spain	6 '88 May	94 1/4	7.48		6.37
dm 150	Aumar	7 3/4 '84 Jul	100 1/2	7.10		7.71
dm 70	Aumar	9 '84 Aug	101 3/4	7.03	7.02	8.85
dm 100	Aumar	7 1/2 '88 Feb	98 1/2	7.91	8.20	7.61
dm 100	Autopistas	7 1/4 '84 Jul	100 1/4	6.92	6.92	7.23
dm 100	Autopistas	8 '86 Oct	99 1/2	8.18	8.34	8.04
dm 200	Autopistas	6 3/4 '87 Oct	96	7.92	8.91	7.03
dm 100	Europistas	8 1/4 '86 Feb	101 1/2	7.55	7.10	8.13
dm 100	Europistas	8 '87 Jan	99 3/4	8.08	8.15	8.02
dm 100	Renfe Red Nacional	8 '84 Apr	100 1/4	7.53		7.98
dm 100	Renfe Red Nacional	8 1/4 '91 May	98	8.61		8.42
dm 100	Renfe Red Nacional	10 '92 May	107 1/4	8.78		9.32
	SWEDEN					

CONVERTIBLE BONDS

ZERO-COUPON BONDS

Mutual Funds

Closing Prices September 9, 1983

NEW YORK (AP) — The following quotations, supplied by the National Association of Securities Dealers, Inc., are the prices at which these securities could have been sold (net asset value) or bought (value plus sales charge) Friday.

HIGHEST CURRENT YIELDS

On convertibles having a conversion premium of less than 10%.

Explanation of Symbols

CN$	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NMD	Norwegian Kroner - DIA		

American Exchange Options

For the Week Ending September 9, 1983

Chicago Exchange Options

For the Week Ending September 9, 1983

هكذا من الأصل

EUROBONDS

By CARL GEWIRTZ

Strong Rally Expected as a Result Of Surprising Drop in M-1 Figure

PARIS — An explosive rally in Eurobond prices is assured this week — if only to catch up with what happened in the last minutes of trading in New York Friday.

In a matter of minutes, following the stunning surprise of a $2-billion drop in the M-1 measure of money supply announced by the Federal Reserve, short-term interest rates dropped ¼ to ⅜ of a point and long-term bond prices soared 2 percent.

The latest Fed data showed that all three measures of the money supply are now well within the targeted growth range, leaving ample room to accommodate the big bulge that is expected to be reported in the coming weeks. As a result, the only question that analysts now have is whether the Fed will cruise in neutral or whether it is already stepping on the monetary gas pedal.

But for the capital markets, the debate erases the immediate worry that short-term rates could harden and that bond prices might fall.

Eurobond dealers, noting the firm undertone to prices, were saying last week that all the market lacked was an excuse to rally.

Whether this translates into a flood of new issues is less clear. Investment bankers report that most borrowers prefer to hold back, waiting for still lower interest rates — not more than 11 percent for 10-year money. Another stumbling block is the amount of money available to buy Eurodollar bonds when the dollar is already so high on the foreign-exchange market and more likely to decline than to increase.

Eurobond Yields
For Week Ended Sept. 7

Int'l Inst. lg term U.S.$	12.50 %
Ind. long term, U.S.$	12.91 %
Ind. medium term, U.S.$	12.56 %
Can.$ medium term	13.51 %
French Fr. medium term	13.43 %
Int'l Inst. lg term yen	7.88 %
ECU medium term	12.03 %
EUA long term	10.68 %
Int'l Inst. lg term FLx	10.59 %
FLx medium term	10.10 %

Calculated by the Luxembourg Stock Exchange.

Market Turnover
For Week Ended Sept. 9
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	6,965.00	5,911.10	1,053.90
Euroclear	7,987.00	7,491.40	495.60

According to estimates of Orion Royal Bank, some $5.5 billion of interest and principal repayments will be available for reinvestment in the Eurobond market over the coming eight weeks. An estimated 70 percent of this will be in U.S. dollars. But given the narrow edge that dollar-bond coupons have over bonds denominated in Deutsche marks or European Currency Units, investors may well focus on potential exchange-rate moves to guide their investment strategy.

Options Offer Incentive

For the gambling public, there is some incentive to remain in dollars: the options now on sale to buy long-term U.S. Treasury bonds. If U.S. interest rates continue to fall, the rise in the price of the Treasury bonds — and especially the options due to their leverage — could more than balance the exchange-risk factor.

Options owe their leverage to the fact that a small cash outlay of some $40 locks in the purchase price of a $1,000 security.

The latest version of this new fad to hit the market comes from First Boston. It offered to sell for $38 a call option to buy at any time over the next 18 months a $1,000 Treasury bond bearing a coupon of 10⅜ percent at a price of $960. The current market price to buy those bonds, which mature in the year 2012, is $893. The call option ended the week quoted at $35-$38.

The First Boston options, or warrants, are a long way from being what is called "in the money" — where the holder would profit from exercising the option. The assumed attraction is the fact that the option is good for the next 18 months.

First Boston also offered an equal number, 250,000, of warrants to sell the same Treasury bond at a price of $840. These put options, the first to

(Continued on Page 21, Col. 5)

IMF Stresses Need to Sustain, Spread Recovery

By Hobart Rowen
Washington Post Service

WASHINGTON — The International Monetary Fund, in a generally upbeat report citing improved confidence in the global economy, said Sunday that the "pressing task" is to assure that economic recovery under way in the United States and other nations can be sustained and spread to those parts of the world still in recession.

But IMF officials, discussing the annual report before a joint annual meeting here with the World Bank starting Sept. 27, acknowledged that the overall outlook for the Third World remains gloomy.

It said that inflationary pressures and high interest rates have abated in major industrial nations, but warned that Third World countries, facing up to $600 billion in foreign debts, would still have major problems with inflation, and must deal as well with protectionist plans established by the richer countries.

Over the next several years, the report said, commercial bank loans are likely to be at best moderate, and governmental aid bilaterally or through such international institutions as the IMF or World Bank is "likely to be quite modest in real terms."

It suggested that the big debtor-nations in the Third World should try to attract direct private investment that not only might increase productivity, but would include a transfer of modern technology and skills.

The report expressed concern over recent wide swings in international currency rates, and urged close cooperation among its members to reduce them.

It ducked the question of the utility of intervention in exchange markets to dampen these swings, commenting that intervention by itself has little effect on exchange-rate expectations "unless private market participants have reason to believe that authorities are willing to continue to intervene, and if necessary to modify domestic policies, to hold an exchange rate to a target."

In assessing advances in world economic conditions since its report a year ago, the IMF cited progress among industrial nations in reducing inflation, and substantial declines in interest rates.

On the negative side, the IMF report noted that the total output of the industrial countries last year fell for the first time since 1975, that unemployment had risen to post World War II highs and that world trade volume fell 2½ percent.

The report said that the U.S. current account, the broad trade measure that includes merchandise and nonmerchandise items such as services, which had shown a small surplus in 1980 and 1981, had moved to a deficit of $11 billion in 1982.

In contrast, West Germany and Japan recorded swings from heavy deficits in 1980 to moderate surpluses in 1982.

The report said that considerable progress had been made in cutting deficits in Third World countries, excluding oil producers.

From a peak of $108 billion in 1981, this group's aggregate current account deficit dropped to $87 billion in 1982 and the forecast for 1983 is for a further drop, to $68 billion.

On the other hand, the report again emphasized that "many of these countries are now confronted with much more cautious attitudes on the part of international lenders, and that their circumstances thus require policies designed to give their creditors grounds for confidence in their capacity to bring their external obligations and resources into better alignment."

The combined current account surplus of the oil producers, which reached a peak of $114 billion in 1980, dropped to $65 billion in 1981 and disappeared altogether in 1982.

Despite M-1 Fall, Fed May Be Slow To Ease Its Policy

New York Times Service

NEW YORK — Although bond prices have risen sharply each of the past two Friday afternoons after the Federal Reserve Board had announced unexpected money-supply declines, analysts noted that Fed policy may not change as swiftly as some in the credit markets would expect.

The Federal Reserve reported Friday that the narrowest measure of the U.S. money supply — M-1 — fell an unexpectedly sharp $2 billion in the week ended Aug. 31,

U.S. CREDIT MARKETS

and said that two broader measures of the money supply were kept well under control during August. M-1 is a measure of currency in circulation and money in checking and similar accounts.

The credit markets responded dramatically to the report. Prices on government bonds soared immediately after the Fed's late-afternoon announcement, and rates on shorter-term government securities plunged.

According to Money Market Services, a San Francisco company that surveys the market, before the figures were released Friday, the majority of traders had expected M-1 to climb by as much as $1 billion. Earlier in the week, some estimates of growth had been as high as $2 billion or $3 billion.

As a result of the M-1 report, the price of the government's bellwether 30-year bond surged to 104 5/32

U.S. Consumer Rates
For Week Ended Sept. 11

Passbook Savings	5.50 %
6-Month Savings Certificates	9.69 %
Tax Exempt Bonds Bond Buyer 20-Bond Index	9.67 %
Money Market Funds Donoghue's 7-Day Average	8.78 %
Bank Money Market Accounts Bank Rate Monitor Index	8.67 %
Home Mortgage FHLB average	13.19 %

following the money-supply announcement, up almost 2 points from 102 10/32.

After the announcement Friday, the dollar dropped in New York to 2.6724 Deutsche marks from 2.6795 the day before and to $1.494 against the pound from $1.4915 Thursday.

During this summer, Fed watchers have flip-floped between predictions of a tighter Fed policy with higher short-term rates, and an easier Fed policy with lower short-term rates. Now that all measures of the money supply are within the central bank's annual targets for the first time this year, the consensus is that the next move by the Fed will be toward lower rather than higher rates.

However, the economy is expanding at a more modest rate than in the second quarter and inflation is not yet rising enough to alarm the credit markets, "the Fed does not have any urgent need to change the course of monetary policy," said Alan C. Lerner, senior vice president and money-market economist at Bankers Trust Co.

Moreover, he warned in a recent publication, "the pace and scope of borrowing by the federal government is relentless, and it is occurring in a growing economy which is generating its own requirements for credit. Any analysis of the prospects for the markets ultimately must contend with this overwhelming negative factor."

The latest data rule out "any tightening by the Fed in September for sure," said Cengiz Israfil, vice president of Morgan Guaranty.

But he added: "Easing at this time would be premature because it would increase the risk of having to tighten in 1984, an election year."

Merrill Lynch Sees Substantial Drop in Earnings

By Michael Blumstein
New York Times Service

NEW YORK — Merrill Lynch & Co. has said it would report "substantially lower" earnings in the third quarter compared with the similar period last year.

Analysts said that the primary reason was a relatively poor showing by the company's brokerage arm, and added that other Wall Street firms may face the same problems.

Merrill, parent of Merrill Lynch, Pierce, Fenner & Smith Inc., the largest U.S. brokerage firm, said only that revenue growth had slowed while operating expenses continued to climb.

The company said Friday that lower earnings would not be the result of unusual write-offs or special charges.

Adjusting for a June 2-for-1 stock split, Merrill Lynch reported net income of $100.3 million, or $1.23 a share, in the third quarter of 1982. On Thursday, Perrin H. Long Jr., an industry analyst with Lipper Analytical Services Inc., predicted third quarter earnings this year of 75 cents to 80 cents a share.

In the second quarter, Merrill Lynch had reported a $14.7-million drop in net income from the first quarter. This decline was believed to be the result, in part, of reserves set aside for notes of Baldwin-United Corp., a financial-services conglomerate trying to renegotiate its huge debt load.

Mr. Long said the "whole brokerage business" was likely to face the same decline in earnings predicted by Merrill Lynch. The problem, he said, is that trading in fixed-income securities, including government and municipal bonds, has slowed since last summer, when interest rates were dropping sharply.

In addition, he said, trading in stocks has slowed, while expenses have continued to rise.

U.S. Planning to Halt Imports of Restricted Specialty Steel

By Stuart Auerbach
Washington Post Service

WASHINGTON — The United States is slamming the door on imports of three categories of specialty steel until mid-October because foreign suppliers speeded up shipments after President Ronald Reagan had imposed worldwide quotas July 5, U.S. officials say.

U.S. trade officials said foreign suppliers stepped up their shipments in an effort to get as big a share of the U.S. market as possible before the United States set limits for individual countries.

As a result, the quotas set for the first 90 days of imports already have been filled for one category of specialty steel and are close to being filled in the other two categories, U.S. Customs Service officials reported Friday.

The quotas took effect two weeks after they were announced, and the first 90-day period does not end until Oct. 20.

Industry executives said cutting the flow of imports until that period ends in six weeks is unlikely to help domestic sales.

But the abrupt ban on imports is expected by trade officials to force overseas suppliers into quick negotiations on orderly marketing agreements that would guarantee them a fixed share of the U.S. specialty-steel market.

U.S. negotiations are scheduled to start this week with Canada, Sweden and Austria, which have indicated an interest in reaching such marketing agreements. And talks with the Japanese are expected to begin when U.S. trade officials visit Tokyo before Mr. Reagan's trip there in November.

The European Community, however, has decided to take another route — demanding compensation for losses that its members suffered because of U.S. restrictions on steel imports from its companies.

Mr. Reagan ordered quotas on specialty-steel imports for the next four years because of what he called "the pervasive nature of unfair trading practices around the world."

William J. Wagner, a customs official, said imports of stainless-steel wire rods reached their 90-day limit on Tuesday. All shipments received since then are either being turned away or placed in bonded warehouses until the next 90-day period starts.

As of Thursday, 91.6 percent of the 6,750-ton, 90-day quota for imports of steel bars and 86.8 percent of the 5,600-ton, three-month quota for alloy tool steel had been shipped into the United States, officials reported.

Focus of Lending Will Shift to Asia, Bankers Say

By Carl Gewirtz
International Herald Tribune

PARIS — The focus of international bank lending for the rest of this year will shift to Asia, according to a sampling of loan officers of major U.S. banks in Europe and Asia interviewed by telephone last week.

The only question that they have concerns the volume of funds that will be available and that, the bankers say, depends on how active European banks are in the final months of this year.

So far this year, the Europeans have sharply reduced their overall lending. According to estimates provided by the Euromoney Syndication Guide, lending by European banks is running about 60 percent below that of the year-ago level.

The bankers forecast relatively light demand for new money from European borrowers — mainly France, Spain and Portugal. Belgium, which had been expected to tap the market later this year, is now seen waiting until next year to tap the market unless lending conditions are made irresistibly favorable. And the Nordic countries are said to have virtually completed their 1983 borrowing programs.

Irresistible terms were offered last week to Sweden, which launched a £250-million syndicated loan and within hours doubled the amount to £500 million. The appeal for the Swedes was the low margin of ⅜ point over the London interbank rate for the first two years and half a point over the interbank rate for the remaining four years.

In addition to the low margin, Sweden was attracted to the potentially long 12-year maturity. If lenders agree, after the third year, the life of the loan could be extended another three years. The margin would remain at ½ point over the interbank rate and lenders would be paid a ⅛-percent extension fee. A similar exercise three years later could extend the loan for a final three years, with lenders earning a ¼-percent fee. The margin would remain unchanged.

Banks are offered a fee of 0.05

SYNDICATED LOANS

percent on the amount that they underwrite and 0.25 percent on the amount that they take if that is £20 million or more, or 0.225 percent on a take of £15 million.

The Swedish plan, according to lead manager Samuel Montagu & Co., is designed to fit the need of the foreign banking community in Britain searching for sterling-denominated assets (and earnings to pay the rent) to fill the gap left by the runoff in loans to local authorities that no longer can borrow directly from the banks.

The rundown in the loan portfolio of banks has forced them to rely on issuing acceptances, but the Bank of England is asking for a better balance between loans and acceptances, and with the economy still slack there is little domestic loan demand for the banks to fill.

Officials at Montagu also note that the banks' access to sterling deposits provides lenders with a cheap source of financing and thus the real spread to the banks can be considerably more than the ⅜-point margin over the interbank rate.

While such thin margins were thought to have disappeared from the dollar sector of the market, the Bank of Thailand last week demonstrated that that was not the case. Its $200-million, eight-year revolving standby facility is being syndicated with a margin of ⅜ of a point over the interbank rate.

The catch here is that the facility is not expected to be used. The Thais have a $250-million standby organized 18 months ago that is still unused and they say that they do not intend to draw on the new one. If they do, they will be charged an additional 1/16 percent if the average amount drawn for the year

(Continued on Page 21, Col. 1)

U.S. Seizure of Florida S&L Voided

New York Times Service

MIAMI — A judge has ruled that U.S. regulators acted improperly in seizing the Biscayne Federal Savings and Loan Association in April and must return it to stockholders. The judge called the order unprecedented.

The Federal Home Loan Bank Board, by conducting "negotiations wrapped in a shroud of deception," blocked the owners' attempts to rescue Biscayne, the U.S. district court judge, Eugene P. Spellman, said in his ruling Friday.

The bank board, which regulates savings and loan associations, was instructed to meet with the stockholders within 30 days to devise a plan for restoring Miami-based Biscayne to its former owners. Meanwhile, the bank board will continue to own and operate the institution, a situation that could go on during an appeal.

However, the judge said that his 125-page opinion was not a final judgment and that may prevent the bank board from appealing the decision until the talks with shareholders are completed.

The final ruling is to be made only after the two sides present a plan of action for turning the bank back to its owners. If the regulators refuse to participate, the judge would include his own plan of action in a final ruling.

Judge Spellman said he would try to issue the final ruling at a hearing scheduled for Nov. 21.

Martha Gravlee, a bank board spokesman, said Thursday night that there was "a strong likelihood" that the ruling would be appealed.

Biscayne, the sixth-largest savings and loan association in Florida, with assets of $2 billion, became insolvent in July 1982, mostly because of heavy losses related to unfavorable interest rates. It had a negative net worth of $29.6 million on April 6, the day that the bank board placed it in receivership. It reopened on April 7 as New Biscayne Federal, under government control.

If Biscayne is returned to its former owners, it would set a precedent, the judge said, "since the few courts that have dealt with this statute governing improper seizures over its 50-year history have never restored an insolvent institution to the association."

Following an emergency meeting of the three-member board Friday, Edwin J. Gray, the chairman of the board, issued the following statement:

"New Biscayne will open its doors for business as usual on Monday morning and thereafter. All insured deposits are, and will continue to be, fully protected. The Federal Savings and Loan Insurance Corp. is prepared and is fully capable of meeting its obligations to the insured accounts of New Biscayne savers."

A bank board spokesman said, "the court ruled that the board had abused its discretion in appointing a receiver, and has ordered removal of the receiver. However, the court has entered no final judgment, and has indicated that the status quo remains in effect pending further discussions and negotiations."

Richard T. Pratt, who was the chairman of the bank board when it decided to close Biscayne Federal, said: "I haven't seen the decision and would prefer to reserve my comments."

Mr. Pratt is now president of Merrill Lynch Mortgage Capital Inc. in New York.

Kaufman & Broad Inc., a Los Angeles-based housing and financial-services company that owned 25 percent of Biscayne, negotiated with the bank board from September 1981 to early April in an attempt to arrange a rescue.

Biscayne had proposed selling eight of its 34 branches to California Federal of Los Angeles for $56 million to resolve its financial problems.

Kaufman & Broad argued that bank board staffers had decided in January to reject the sale but never told Kaufman & Broad and failed to provide rules on what type of rescue plan would be approved.

The bank board responded that only the three board members — not the staff — decide policy and therefore statements by staff members to Kaufman & Broad were not binding.

Judge Spellman ruled that board members in fact vested their staff with decision-making powers and therefore the board is accountable.

"An agency of the government which fails to establish rules, regulations or policies that govern the conduct of the board and its staff and which fails to enact guidelines and standards governing those whom it regulates should not be permitted to defend the impropriety of its staff conduct by invoking legal formalisms that allow only the board to establish policy or that permit only the board's actions to be open to adjudication," Judge Spellman said.

CURRENCY RATES

Interbank exchange rates for Sept. 9, excluding bank service charges

	$	£	D.M.	F.F.	H.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.9845	4.46	111.87 *	37.17 *	0.1875	—	5.567 *	137.73 *	31.165 *
Brussels(a)	53.725	80.20	20.118	6.6798	3.346 *	17.976	—	24.76	5.60
Frankfurt	2.669	3.989	—	33.21 *	1.674 x	89.30 *	4.971 *	123.09 *	27.83 *
London (b)	1.493	—	3.99	12.012	2,379.10	4.4638	80.12	3.2398	14.2918
Milan	1,593.55	2,382.00	597.40	198.28	—	533.90	29.688	734.94	166.44
New York	—	1.494	0.3742	0.1243	0.0627 *	0.3348	0.0186	0.4606	0.1042
Paris	8.0355	12.009	301.13 *	—	5.0415 x	269.85 *	14.97 *	370.45 *	83.85 *
Zurich	2.1492	3.2419	81.26 *	26.985 *	0.1361	72.605 *	4.0403 *	—	22.45 *
1 ECU	0.8519	0.57	2.2742	6.8484	1,357.96	2.5451	45.7482	1.8405	8.1667
1 SDR	1.04984	0.701765	2.7994	8.424	1,672.92	3.1333	56.2449	2.2757	10.0575

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
0.8785	Australian $	1.1383	N.A.	Israeli shekel	—	0.4676	Singapore $	2.1385
0.0533	Austrian schilling	18.765	0.0041	Japanese yen	244.45	0.8925	S. African rand	1.1204
0.0184	Belgian fin. franc	54.255	3.4282	Kuwaiti dinar	0.2917	0.0013	S. Korean won	791.50
0.812	Canadian $	1.2315	0.4255	Malay. ringgit	2.35	0.0066	Span. peseta	151.40
0.1044	Danish krone	9.5785	0.1342	Norw. krone	7.4495	0.1269	Swed. krona	7.8815
0.1745	Finnish mark	5.731	N.A.	Phil. peso	—	0.0249	Taiwan $	40.17
0.0108	Greek drachma	92.575	0.0081	Port. escudo	123.91	N.A.	Thai baht	—
0.1308	Hong Kong $	7.645	0.2873	Saudi riyal	3.4802	0.2723	U.A.E. dirham	3.672
1.1755	Irish £	0.8507						

£ Sterling: 1.2716 Irish £

(a) Commercial franc (b) Amounts needed to buy one pound (*) Units of 100 (x) Units of 1,000
N.Q.: not quoted; N.A.: not available.

Over-the-Counter

NEW YORK (AP)-Weekly Over the Counter stocks giving the high, low, and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc., are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission.

Sales supplied by NASD.

			Sales in 100s	High	Low	Last	Net Ch'ge
A							
AEC			6	7¾	7¾	7¾	
AIA			1664	12	11½	11¾	+ ¼
AMCbl			782	9⅝	8¼	9⅝	+1½
AMC En	.12	1.0	210	12¾	11¾	12	— ¼
AMFI	.11	.8	27	14	13	13	—1
AT&E			153	13	12	13	+1
ATE En	†		136	6½	5½	6¼	+ ¾
AaronR s			153	17¼	17	17¼	+ ¼
Abrams	.32b	3.8		8½	8½	8½	
AcLosRes			264	6⅝	5⅝	6⅝	+ ⅝
Accelrtn	.05e	.5	571	10¾	10½	10⅝	— ¼
Acuray	.16	.9	627	17⅝	17½	17½	
Aceto s	†		4	20¼	20¼	20¼	
ACMAT			65	13¼	13¼	13¼	
AcmeG s	.20	1.5	84	13½	10¾	13½	+3
[illegible]							

B

[illegible]

C

[illegible]

NASDAQ National Market

[illegible]

(Continued on Page 21)

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NEW EUROBOND ISSUES

Issuer	Amount (millions)	Maturity	Coupon %	Price	Yield At Offer	Terms
[illegible]	$250	1993	¼	100	—	Investors can redeem at par after fifth or seventh year. Minimum coupon of 5¼% guaranteed.
[illegible]	$100	1998	12	100	12	
[illegible]	0.25	18 mos	—	38	—	Each warrant is to buy into a $1,000 note of the U.S. Treasury's 10⅜s of 2012 at 96.
[illegible]	0.25	6 mos	—	21½	—	Each warrant is to sell a $1,000 note of the U.S. Treasury's 10⅜s of 2012 at 84.
[illegible]	$200	1990	11⅝	99¼	11.91	Increased from 150 million dollars.
[illegible]	$100	1991	¼	100	—	Over 6-month Libor. Minimum coupon 5¼%. Notes are callable in whole or in part on any interest payment date on or after Sept. 1984.
[illegible]	[illegible]	1990	—	100	—	Coupon indicated at 4%. Redemption price, if held to final maturity, will be at premium of 6% to give yield of 4.76% for life of bond. Price to convert into common stock expected to be set at 5% premium. Terms to be set Sept. 20.
EIB	dm200	1993	8¼	100	8¼	Callable in 1990 at 101½. Bullet.
Ireland	dm150	1991	8.62	99½	8.71	Noncallable bullet.
S. African Postal Svc.	dm100	1990	9	100⅜	8.925	Noncallable bullet.
[illegible]	c$50	1988	12⅝	100	12⅝	Noncallable bullet.
[illegible]	c$0.05	6 mos	—	25	—	Each warrant exercisable into a $1,000 note of the government of Canada's 10⅜s of 2004 at 87½.
European Community	ecu70	1993	11¼	100½	11.16	First callable at 101 in 1989. Sinking fund to start in 1989 to produce a 6.5-yr average life.
Genfinance	ecu60	1990	11	100½	10.89	Noncallable bullet.

Explosive Eurobond Rally Expected

(Continued from Page 19)
be sold in this market, were offered at $21.50. The puts, which have a life of six months, ended the week trading at $14-$16.

Options can be bought in the United States, but for only three months or six months and that market is not very liquid. In addition, the options offered here are listed on an exchange, a requirement of many institutional investors. An added convenience is that these options trade during the European business day.

No one outside the issuing houses can say how much they make selling these options — their profit being a function of how they manage their exposure to come up with the bonds if the options are ever exercised. Given the rush to sell such options — Salomon Brothers, Merrill Lynch and Drexel Burnham have already offered their versions — it can be assumed that there are substantial profits for the issuers.

What is less clear is how many options have actually been sold. Here again, only the issuer will ever know. But it was learned that in at least one of the previous sales, less than 10 percent of the initial offering was actually taken up.

Sale was not a problem for the latest Merrill Lynch innovation, 50,000 warrants to buy Canadian government bonds — the 10¼s of 2004 — at a price of 875 Canadian dollars. No such options exist in Canada, and North American investors are reported to have scooped up a substantial portion of this offering.

The options, which run for six months, were offered at 25 dollars. With the actual price of the bond at 872.50 dollars by week's end, the price of the warrants soared to a high of 32 dollars before closing at 29 dollars bid, 31 dollars offered.

International Herald Tribune

EC Ministers Seek Joint Studies on World Economy

Reuters

CEPHALONIA, Greece — Finance ministers from the European Community agreed Sunday to explore ways to stabilize the world economy but rejected the idea of a major overhaul of the international financial system.

The ministers, meeting along with their central bankers to find a joint approach before the IMF's annual meeting later this month in Washington, focused their talks on the soaring value of the dollar, high U.S. interest rates and the acute debt problems of poorer nations.

Afterwards, Britain's chancellor of the exchequer, Nigel Lawson, said the ministers would propose joint studies with the United States and other Western industrialized nations on whether more money should be injected into the world economy to help developing nations, the dominant role of the dollar on international money markets and the future of the International Monetary Fund.

But he said there was "no question" of trying to set up a new international monetary system. "The present problems could have arisen under any system," he said.

Easier Japan OTC Rules Seen

Reuters

TOKYO — Japanese over-the-counter stock-trading registration standards will be eased substantially under new regulations expected to take effect in November, according to securities industry sources.

The starting date and new standards will be decided at a board meeting of the Securities Dealers Association on Sept. 16, the sources said Friday.

The new regulations, along with a planned expansion and sophistication of the market, using computer information systems, will widen fund-raising channels for small, fast growing enterprises and provide broader scope for investors, they said.

Under the proposed rules, a company with prospects of a listing on the stock exchange would be allowed to make a public offering of new stocks equivalent to a maximum 30 percent of its outstanding issued-share volume. At present such companies are allowed no public offering, the sources said.

The company would have to have reported more than 10 yen in after-tax profits per 50 yen share, and trading volume of more than 50,000 shares a month for the preceding three months, they said.

Australian Bank Cuts Prime

Reuters

MELBOURNE — Australia and New Zealand Banking Group Ltd. said Friday it will lower its Australian prime lending rate to 14 percent from 14.5 percent, effective Friday.

Focus of Lending Will Shift to Asia, Bankers Say

(Continued from Page 19)
totals 25 percent to 75 percent of the total and an additional ⅛ percent if more than 75 percent of the credit is drawn. Front-end fees total about ½ percent, bankers report.

"The terms are exceedingly good," said one Hong Kong based banker, "and as the market could turn, the Thais are wise" to lock in these favorable conditions while they are available.

Next to tap the market from Asia will be South Korea's Development Bank, which is expected to seek up to $500 million.

Indonesia is currently raising $250 million. But it is disguising its operation as a floating-rate note. This will carry the standard margin of ¼ point over the interbank rate, but front-end fees (still being negotiated on Friday) will raise the return to lending banks substantially.

Holders of the 10-year paper will be able to request redemption after five or seven years.

The exclusion, so far, of capital-market transactions such as floating-rate notes from the rescheduling operations of Third World debtors and the at least theoretical ability to sell such holdings in the secondary market account for the appeal of FRNs over syndicated loans.

In addition, bankers do insist that floating-rate notes draw money from lenders who would not participate in syndicated credits.

Lawyers Seek Ways to Sue Over KAL Plane

New York Times Service

NEW YORK — Survivors of the 269 people killed in the shooting down of a Korean Air Lines jetliner by the Soviet Union Sept. 1 are eligible to receive up to $75,000 per casualty from the airline, and could receive substantially more if they can show in court that the airline was guilty of "willful misconduct," according to legal experts.

Moreover, under a recent federal court of appeals decision currently on appeal to the U.S. Supreme Court, the current ceiling on carrier liability would be lifted, allowing recoveries above $75,000 even without a showing of willful misconduct.

"If the pilot looked at his watch and said, 'We were delayed in Anchorage, we have to make up time,' and so cut corners, this may be willful misconduct," said Andreas Lowenfeld, an expert in aviation who teaches at New York University Law School.

Whether mere navigational error would suffice is uncertain.

Lawyers involved in the case said in interviews that survivors might also be able to sue for compensation from the Soviet Union, the manufacturers of the Boeing 747 and the navigation equipment and the governments of the United States and Japan.

While claims against the Soviet Union are not expected to meet with success, experts noted, there is some precedent for compensation arrived at through international diplomatic pressure, the course presently being taken by the Reagan administration. Families of the victims were invited Friday to meet with government officials to discuss compensation possibilities.

Consolidated Trading Of NYSE Listings

Week Ended Sept. 9

	Sales	High	Low	Last	Ch'ge
DiamS	6,791,300	26⅜	23⅝	26¼	+2½
ATT	4,692,900	67⅛	65⅝	66½	+½
Citicrp	3,634,700	38	35⅝	36⅝	+1⅛
INCO	3,282,300	18⅝	17¼	18¼	+1¼
DowCh	3,172,000	37⅛	36¼	37	+⅝
USSteel	3,069,000	30	27½	30	+2⅞
Cryslr	2,969,700	30⅛	27¾	29¾	+⅜
FordM	2,863,900	62⅜	60⅜	61⅞	+1⅜
Exxon	2,826,500	39¾	37⅝	39⅝	+1⅝
LTV	2,813,300	17¼	15⅝	17	+1⅝
AExp	2,732,500	41½	37⅝	39⅝	+1⅜
IBM	2,732,400	123	120	122¼	+2½
SonyCp	2,700,900	15⅛	13¾	14⅞	+1½
GMot	2,693,700	73⅞	71⅜	73¼	+1⅛
Coleco	2,586,600	44⅝	38⅞	39⅝	—2⅛
MerLy	2,493,700	45⅛	41	42	—⅜
GulfOil	2,302,000	42½	41½	41½	
Tandy	2,165,900	44⅞	41	41⅜	—1⅛
CocaCl	2,147,400	52⅛	48	48⅞	—2⅞
PhibS	2,052,600	32⅝	30	30½	+¼

Issues Traded in: 2,164
Advances: 1,331 ; declines: 609
unchanged: 224
New highs: 158 ; new lows: 16

Volume

This week	339,260,000 shares
Last week	331,620,000 shares
1982 same week	291,090,000 shares
1983 to date	14,866,390,092 shares
1982 to date	9,889,960,000 shares
1981 to date	8,258,820,000 shares

Treasury Bills

Due	Bid	Ask	Yld
9-15	8.46	8.38	8.52
9-22	8.37	8.25	8.40
9-29	8.37	8.27	8.43
10- 6	8.64	8.56	8.75
10-13	8.68	8.60	8.80
10-20	8.83	8.76	8.97
10-27	8.80	8.70	8.94
11- 3	8.94	8.86	9.12
11-10	8.97	8.89	9.16
11-17	9.03	8.95	9.25
11-25	9.09	9.01	9.33
12- 1	9.12	9.04	9.38
12- 8	9.13	9.11	9.47
12-15	9.16	9.10	9.47
12-22	9.15	9.07	9.46
12-29	9.13	9.05	9.46
-1984-			
1- 5	9.09	9.01	9.43
1-12	9.11	9.03	9.47
1-19	9.22	9.12	9.58
1-26	9.24	9.14	9.62
2- 2	9.31	9.23	9.74
2- 9	9.32	9.24	9.77
2-16	9.33	9.25	9.80
2-23	9.36	9.28	9.85
3- 1	9.35	9.27	9.86
3- 8	9.34	9.32	9.93
3-22	9.33	9.25	9.87
4-19	9.37	9.27	9.91
5-17	9.38	9.30	9.97
6-14	9.46	9.31	10.02
7-12	9.45	9.35	10.12
8- 9	9.48	9.38	10.20
9- 6	9.45	9.39	10.27

Source- Federal Reserve Bank.

Consolidated Trading Of AMEX Listings

Week Ended Sept. 9

	Sales	High	Low	Last	Ch'ge
Amdhl	1,250,400	18⅝	16⅛	16⅜	—1⅜
WangB	887,900	32¾	30¼	30⅝	—1½
DomeP	709,700	4⅝	4⅛	4⅝	—⅛
AlzaCp	595,700	23⅛	19¾	22¼	+⅜
ImpCh	576,300	6¼	5½	6⅛	+⅝
ChmpH	576,300	6¼	5⅛	6⅛	+⅝
TIE	444,300	39	37¼	38	+1⅛
TexAir	441,700	7½	6⅜	6⅞	—¼
Heizer	338,700	13⅜	11¾	11¾	—1
HouOTr	327,900	12⅞	11¾	11¾	—⅞

Volume: 24,790,880 shares
Year to Date: 1,540,430,000 shares
Issues traded in: 914
Advances: 497 ; declines: 299
Unchanged: 118
New Highs: 43 ; new lows: 5

Gold Options (prices in $/oz.)

Prices	Nov.	Feb.	May
430	8.50-10.50	—.—	—.—
450	2.75- 4.25	12.00-14.00	24.00-27.00
470	1.50- 2.50	7.50- 9.50	16.50-19.50
490	1.00- 1.50	4.50- 6.00	12.50-15.50
510	0.75- 1.00	2.50- 3.50	—.—

Gold: 414.75-415.50

Over-the-Counter

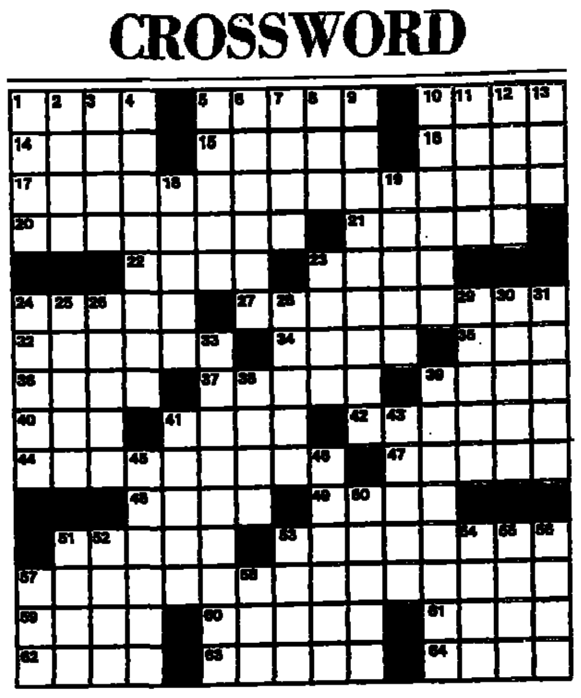
(Continued From Page 20)

	Div.	Yld.	Sales in 100s	High	Low	Last	Net Ch'ge
VINBcp s	1.60	3.7	3	43¼	43½	43½	
Valmnt	.40	2.6	45	23½	23½	23½	
Valtekin			256	6¾	6¼	6¾	+ ¼
ValLine	.10e	.3	538	31¼	28¾	31¼	+2¾
VanDus	.40	2.9	51	13¾	13½	13¾	+ ¼
VanShak			9	10¼	10	10¼	+ ¼
VandEn			56	4⅝	4⅜	4⅜	— ⅛
VariCr s			37	8⅝	8¼	8¼	
Varian	.56	2.4	80	23½	23¼	23¼	— ¼
VaughnJ	.48	4.1		11¾	11¾	11¾	
Velcro	.80	2.8	95	28¾	28½	28¾	
ValeBind			129	9	8⅝	9	+ ¼
Ventrex			729	14½	12	12½	—1¾
Verex			2046	2⅝	2⅜	2⅝	+⅛
VersaT s	.24	1.1	38	21½	20	21½	+1½
Vicorp s			335	18	17⅝	17⅝	
VictBnch	1.80b	3.6	15	28	28	28	
VictMkt	.28	1.5	25	19	18⅝	19	+ ⅜
VistaRsc	.35e	1.2	9	29	29	29	
VisTech			405	20¼	20	20¼	+ ¼
Vortec	.08e	1.4	82	5⅝	5⅝	5⅝	+ ¼
VulcP a	.04	1.0	198	3⅝	3⅝	3⅝	
Vyquest			139	13¾	13¼	13⅜	— ½
W							
WD40 s	.80	3.8	374	21¾	21¼	21¼	— ½
Walbr s	.32	2.1	111	15¾	15¼	15½	+ ¼
Waldb s			839	20¼	18½	20	+1½
WlkrTel			266	9⅝	9	9½	— ⅜
WlkrT un			15	14¾	14	14	— ½
WarnEl	.70	4.1	104	x17½	16¼	17¼	+1
WFSL	.30e	1.0	174	29¾	29	29¾	+1
WashSci	.15	1.3	118	11¾	11¼	11¼	
Watrstat	.10e	1.7	12	5⅞	5⅝	5⅞	
WausPp	.36	2.6	132	d13¾	13	13¾	+ ¾
Waxman	.03e	.5	50	5½	5¼	5½	+ ¼
Webb	.48	3.5	146	13⅝	13½	13⅝	+ ¼
Wedgstn	1.51r	14.9	103	10⅛	10⅛	10⅛	
Wedtch			1246	16	15⅜	16	+ ¼
WeloTr	.30	1.9	43	15½	14¾	15½	+ ¾
Weisfld	.80	3.3	6	24	24	24	
WelkG	1.23e	8.3	374	14⅞	14½	14⅞	+ ¼
Wespac	1.08	10.4	184	10⅝	10⅜	10⅝	+ ⅛
WstCtm			1	7	6⅞	7	
WAmBcp	.70	4.8	55	14½	14⅜	14½	+ ¼
WDeep	3.60e	5.8	254	62½	61	62½	+2¾
WHold	4.80e	8.5	314	57¾	55	57	+1¾
WnWaste			309	16¼	14½	15	
WMarE s	.18r	.9	99	11¾	11½	11½	
WstnPfd			2	91	91	91	—1
WnPfd pfA	.40	14.5	3	2¾	2¾	2¾	— ¼
WStaLf	.50b	2.5	9	20	20	20	
WstStear	.16	1.2	131	13¼	13¼	13¼	
Wstind			115	3⅝	3¼	3⅝	+ ½
WmorC	.10e	.4	474	25½	24¾	25½	+ ½
WFSLA s			190	12¾	10¾	12	+1¼
Weyrnbrg	1.20	2.7	35	45	43½	44	
Wicat			595	13	12¾	12¾	
Wiener s	.04	.5	71	8⅝	8½	8⅝	+ ⅛
WileyJ A	1.00	2.8	13	36	36	36	
WileyJ B	.88	2.4	30	36	36	36	
WillWW	.28	3.7	16	7⅝	7½	7½	— ¼
WilByd			297	13	12¾	13	
Wilml	†		25	7	6½	6½	— ¼
WmsSn			192	30	28¾	28¾	—1½
WmsT	3.00	5.8	166	51½	49	51½	+2½
Windsl s			430	3⅝	3	3½	
Windl un			829	4⅝	3⅝	4½	+ ¼
WinnEn			194	7⅝	7⅜	7⅜	
WiscRE			9	5⅝	5⅝	5⅝	
WisSoGs	1.32b	8.0	2	16½	16¼	16½	
WiserO	.88	3.5	96	25¾	25	25	
Wolohn	.04e	.6	132	6⅞	6½	6⅞	
WolvAlu			25	16	15¾	15¾	— ¼
Wamet			41	22¾	21¾	22⅝	
WoodD	.60	4.7	194	13¾	12¾	12¾	— ½
WoodL s	1.20	3.2	447	37¼	35¾	37	+1¼
WrldTc			1117	⅜			
WrighW	.38	3.3	105	d11⅝	11	11⅝	+ ⅜
Writer s	.12	.9	112	13	13	13	
Wyman	.80	2.5	573	32	31¾	32	+ ¼
X							
Xonics			1593	6⅛	5⅝	5⅝	— ⅜
Y							
YBear g	.72		76	9⅝	8⅞	9⅝	+ ½
Z							
ZenLbB			99	16¼	16	16	
ZenNt s	.60	3.8	66	15⅞	15½	15¾	+ ¼
Ziegler	.44a	2.9	26	15⅜	15	15¼	+ ¼
ZionUt	1.16	3.7	65	31¼	30¾	31¼	+ ½
Zivad			357	12⅞	12¾	12⅞	
Zondv s	.30	1.9	352	15⅞	15⅝	15⅝	
Zymos			711	9⅝	9½	9½	

INTERNATIONAL CLASSIFIED

(Continued From Back Page)

CROSSWORD



ACROSS

1 Something to strike
5 Libreville is its capital
10 —— mater
14 Preacher's last word
15 "—— Ben Jonson!"
16 Extreme want
17 Journalist's headline re reef mishap
20 Sashays
21 Oct. 31 give-away
22 Broadway musical
23 Utah's state flower
24 Cobbler in "Die Meistersinger"
27 Hence
32 If . . . not
34 Hemmed in by
35 Follower of hopping
36 Sept. 13, e.g.
37 Mulligrubs
39 Do-fa connection
40 Sri Lanka export
41 Sagan or Sandburg
42 —— railway
44 Removed from usual surroundings
47 Math sense, to an engineer
48 Dist. ——
49 Raptorial bird
51 Shelley's "The ——"
53 Make unfriendly
57 Yellow journalist's headline for 17 Across
59 Melville book
60 Event at Vicksburg: 1862-63
61 Roper of polling fame
62 Judge
63 Key person
64 Cochineal and fuchsin

DOWN

1 Covenant
2 Poet translated by FitzGerald
3 Shipments to the Mayo Clinic
4 Decorates
5 "For whither thou —— . . ."
6 Item on a certain blotter
7 "Three —— full"
8 Bruin great
9 Modernists
10 —— Cleves
11 Mother of Castor
12 Convene
13 Say further
18 Goren declaration
19 Exhorted
23 Prefix with finalist
24 Simon's "Plaza ——"
25 Llama's habitat
26 Item on Seaver's shoe
28 Handel's birthplace
29 Harbingers
30 Lustrous fiber
31 Fiat or ukase
33 Like an ecdysiast's attire
38 Roué's delight
39 Felt a bitter hurt
41 "22" is one
43 City in Crete
45 O. Henry's "The —— of Red Chief"
46 No problem for Noah
50 Less green
51 Request to the faithful
52 C. A. tree
53 City in South Yemen
54 With skill
55 Far from feral
56 The Graces waited on him
57 "In —— we trust"
58 The Blackbirds' inst.

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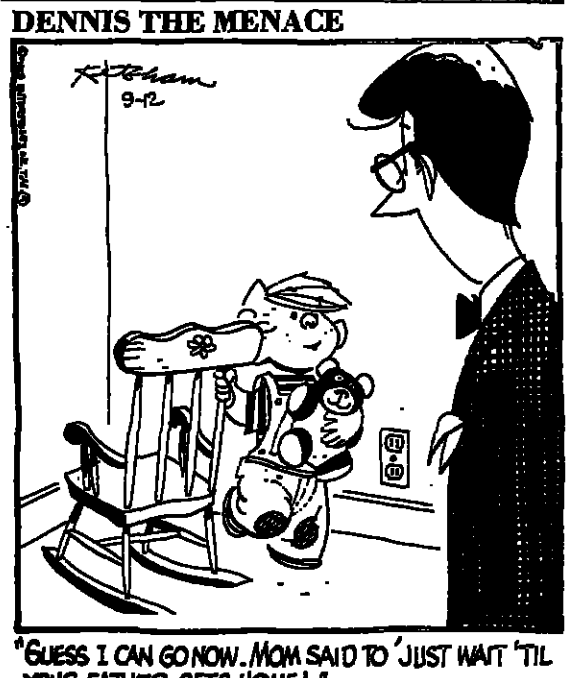
DENNIS THE MENACE



"GUESS I CAN GO NOW. MOM SAID TO 'JUST WAIT 'TIL YOUR FATHER GETS HOME'."

JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

UNREP

DULGI

BENRAY

CIANAM

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: (Answers tomorrow)

Friday's | Jumbles: MAUVE LIMIT LEEWAY WEASEL
Answer: Everything is "soaked" in the billfold—W-ALL-ET

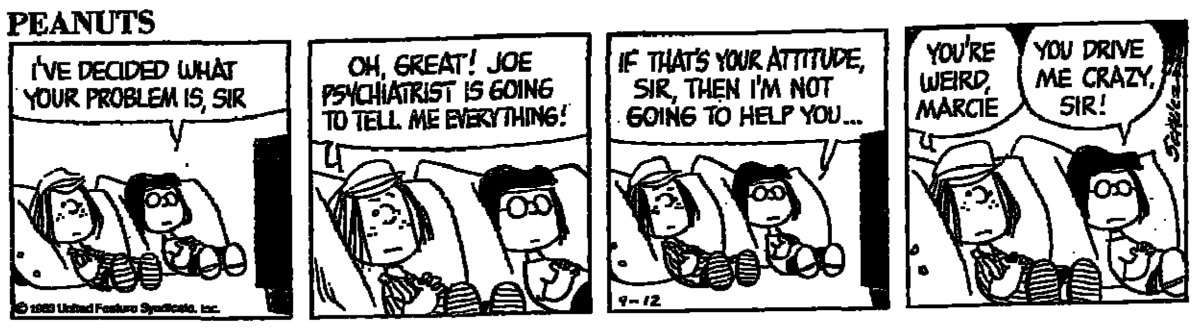
WEATHER

EUROPE | ASIA | AFRICA | LATIN AMERICA | NORTH AMERICA | MIDDLE EAST | OCEANIA

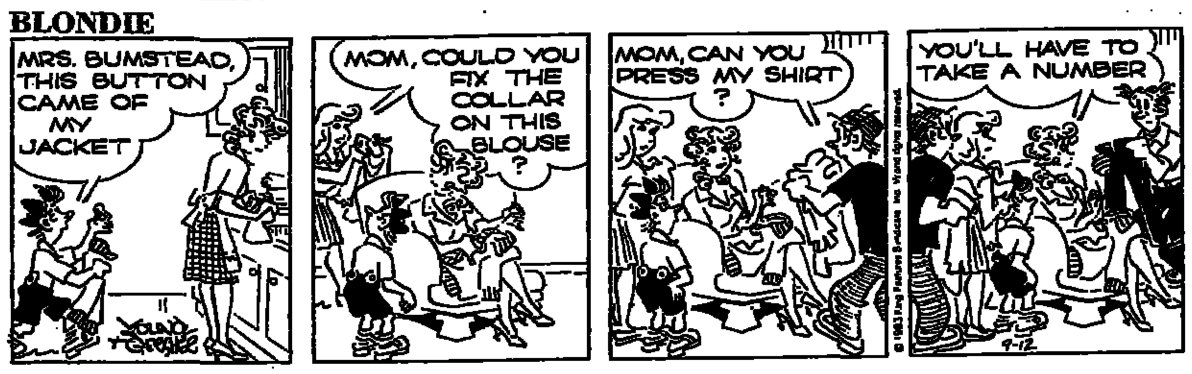
[illegible]

MONDAY'S FORECAST — [illegible]

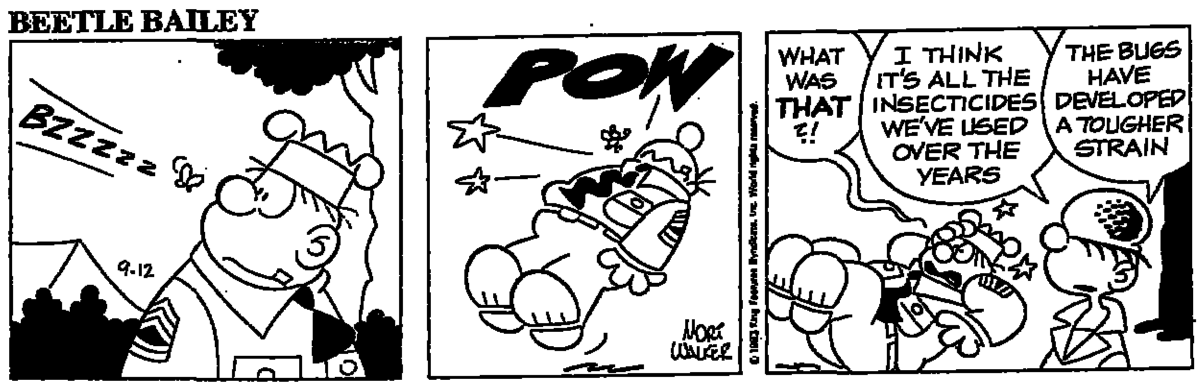
PEANUTS



BLONDIE

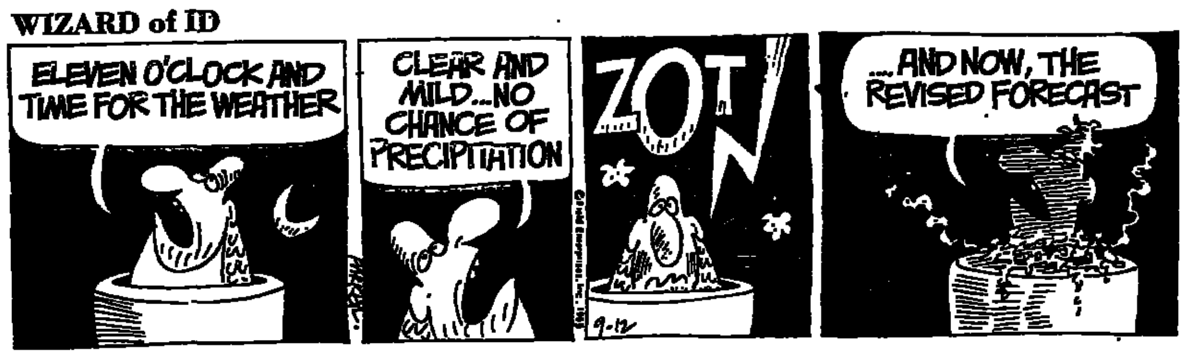


BEETLE BAILEY



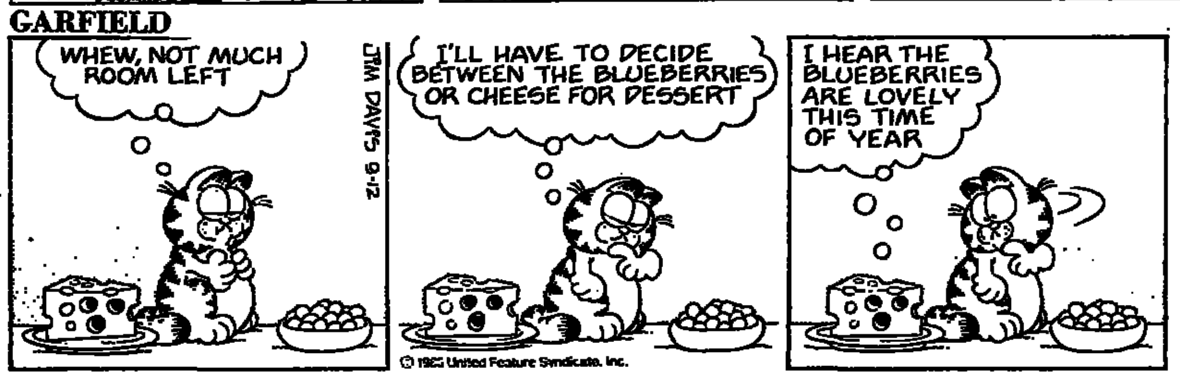
ANDY CAPP

WIZARD of ID



REX MORGAN

GARFIELD



BOOKS

THE FURTHER ADVENTURES OF HUCKLEBERRY FINN.

By Greg Matthews. 500 pp. $15.95.
Crown, 1 Park Ave.,
New York, N.Y. 10016.

Reviewed by Frederick Busch

"ALL modern American literature comes from one book by Mark Twain called 'Huckleberry Finn,'" Ernest Hemingway wrote in "Green Hills of Africa."

Greg Matthews, an Australian, in his first novel writes a sequel to Twain's great "Adventures of Huckleberry Finn." Matthews has read Twain ardently and no doubt he has read Hemingway too. But he overlooks the implications of "modern" in Hemingway's famous statement. Hemingway wrote about the American fiction he was helping to make in response to Twain and to the spirit of America. But he also wrote, and wrote about, a fiction that Twain helped to define for Hemingway. It had to do with a young man's loss of his father, his attraction to and flights from figures of the mother; and that young man's utterly American journey to the dark frontier (a psychic as well as physical one) in the absence of women, but in the presence of the other-colored companion and guide. (Think of Hemingway's "The Battler," Cooper's Natty Bumppo and Chingachgook, Melville's Ishmael and Queequeg.) Hemingway's comprehension of, and love for, Huck Finn's adventures was intense, American, both personal and literary, and was made palpable in his fiction.

While I intend no disrespect for Matthews — he has labored long and hard, and he has mastered much of the apparent sound of Twain — his sequel echoes none of the personal or cultural resonances to which I allude. It strikes me that nearly any intelligent reader or writer can digest some Twain and emerge with such lines as, "Dirt on its own's a mighty good thing . . . and water on its own is mighty good too, but when you mix 'em together you get mud." This is what Matthews does: he mixes a lot of events and conversations and remembered Twain together, and he emerges muddied. He ventriloquizes for 500 pages. After the Widow Douglas's house burns down — the fire gets rid of the burden of Jim's family, *freeing Jim and Huck to journey on* — our lads make their way with Forty-Niners to the California gold rush. We find once more that Huck is in drag, that religion's a sham — there is a Whorehouse of Christ the Lamb — and there are traveling theatricians, hundreds of lies, and some amusing though not inspired doggerel. Jim is in and out of danger because of American bigotry; sex is alluded to; Huck on and off sees signs, and then the person, of his "dead" father.

John Seelye's "The True Adventures of Huckleberry Finn," published in 1970, is an intelligent critic's response to other critics as well as to Twain; it listens to Hemingway's further comment on the Twain — "If you read it you must stop where the Nigger Jim is stolen from the boys. That is the real end" — and it concludes with a devoted nod to Hemingway. It is moving literary criticism in fictional form.

But Matthews writes as if nothing in Twain or anywhere else were moving. He "speaks" of feeling, to be sure; but he evokes little; and his humor is capable of nastiness. Jim's family must be got out of the way so that the sequel can progress. Matthews burns down the Douglas boarding house where the family lives and works. Our lads are of course out of danger, Jim mourns the deaths and reminds us that Elizabeth, his daughter once thought to be deaf and dumb, has recently recovered her hearing. He says, "'Po little 'Lisabeth . . . Now she ain't ever goin' to talk.'" Huck — out of all the reactions Matthews could have conjured — reminds us of his distaste for school, not the deeper humanity that Twain makes clear again and again, by saying, "'Look at it this way, Jim, now she won't have the bother of learning.'"

Finally, the ghost of Pap becomes Pap-not-really-dead. Pap, in Matthews' book, is a shallow, cunning wastrel. As such, he loses the force he had in the original. A ghost is of course less frightening if it is subsequently seen as natural; in Twain's book, Pap was, alive or presumably dead, a nightmare figure out of childhood's deepest terrors. Now, in Matthews' book, he is only a second-rate crook. In novels, such unfinished business as fathers presumed — but not surely known to be — dead, their apparent ghostly signs, take on mythic force and mystery. Such matters propel and motivate, and they enlighten us about the original Huck Finn. In the sequel the protagonist responds to a plot that is only on the surface — Pap is alive and a nuisance and a threat — for it is made by language and event, but is made of nothing that is within the being of the boy. Pap's life in the sequel is less real than his authentic-feeling absence and ghostliness in the original.

Twain once considered writing a sequel to his "Adventures," in which Huck would be a mad old man. Twain's Huck is more likely to have been a persuasive Ahab than Matthews' Jim would be a Queequeg or Huck an Ishmael — and Matthews does threaten a sequel to "Moby Dick" on his final page. To him, apparently, all American fiction is susceptible of endless visits and revisits, a kind of literary Disney World.

Why not, then, a sequel to "Farewell to Arms?" And then a sequel to Papa's African writings, with a sequel Papa saying to a sequel Kandisky that all modern American sequels begin with a sequel to "Huckleberry Finn?" A novel must feel necessary to live and work. I am wondering, then, without wanting to be as cruel as Matthews is to Jim, why his novel came to pass, and then survived its author's fiery gaze.

Frederick Busch, an author, wrote this review for The Washington Post.

Solution to Friday's Puzzle

```
SHARD ALDA  RUM
LEVEE SEEP SARI
AMESS CELESTIAL
BIRETTAS NOODLE
   TRAP SNAP
SWATOW SLIPSHOD
KELLY BEAN  ELI
EDGE VOLTS CLIV
EGO  ERIE TROVE
TELEGRAM CHUTES
   LUSH POET
GEMINI ALBACORE
LANDSCAPE THROW
EVOE LIEN REEVE
NEP  EDDA ESSEN
```

BRIDGE

By Alan Truscott

ON the diagrammed deal North and South bid to four spades. South's two-diamond bid was an artificial probe, and located North's three-card support.

West led the heart ace and shifted to a club. South won in his hand and led a low spade. West put up the ace and played another club, hoping that his partner would be able to ruff. South won with the ace and drew trumps. Now he had to face the problem of the diamond suit.

West had produced the spade ace and the heart ace. It was also highly probable that he held the heart queen, for he would no doubt have continued hearts at the second trick if could have done so safely.

Added to this was a key element in the analysis: West had passed originally. He would not have passed with a hand containing the diamond king as well as the spade ace and the ace-queen of hearts.

So South made the anti-percentage play, crossed to the diamond ace and led another diamond. As it happened, he could not misguess, and claimed the contract when East played the king. If necessary, he would have played the queen from his hand, for the club suit was available to provide a discard.

NORTH
♠QJ4
♡J64
♢A85
♣KQ73

WEST (D)
♠A73
♡AQ92
♢82
♣9654

EAST
♠102
♡108753
♢KJ43
♣82

SOUTH
♠K9865
♡K
♢Q1097
♣AJ10

North and South were vulnerable.
The bidding:

West	North	East	South
Pass	1 ♣	Pass	1 ♠
Pass	1 N.T.	Pass	2 ♢
Pass	2 ♠	Pass	4 ♠
Pass	Pass	Pass	

West led the heart ace.

Burns Holds Angels to One Hit in 11-0 White Sox Victory

United Press International

CHICAGO — Britt Burns allowed only one hit — a two-out single by Mike Brown in the seventh inning — and Carlton Fisk, Tom Paciorek and Greg Luzinski hit successive first inning home runs Friday night to carry the Chicago White Sox to an 11-0 rout of the California Angels.

Burns (9-9) did not allow a baserunner until Brown lined a single to center with two outs in the seventh inning. The only other batter to reach base against Burns was Ron Jackson, who walked in the eighth.

"The pitch felt good when I released it," Burns said of the fastball that Brown hit. "You can't be anything but disappointed. It [a no-hitter] would have been a thrill."

Yankees 5, Orioles 3

In New York, Graig Nettles hit a tie-breaking, two-run homer in the eighth inning to lift the Yankees to a 5-3 victory over Baltimore.

Red Sox 6, Indians 4

In Cleveland, Dave Stapleton drove in four runs with a three-run homer and a single and Dwight Evans hit his first home run since July 30 to lead Boston past the Inidans, 6-4.

Brewers 2, Tigers 1
Tigers 2, Brewers 1

In Milwaukee, right fielder Charlie Moore misplayed an eighth-inning fly ball that enabled Chet Lemon to score and give the Tigers to a 2-1 victory over the Brewers and a split of their doubleheader. In the opener, Cecil Cooper's two-run homer and the combined six-hit pitching of Moose Haas (13-3) and Peter Ladd gave the Brewers a 2-1 triumph. Jack Morris (18-10) took the loss.

Twins 7, Royals 6

In Minneapolis, Kent Hrbek's leadoff home run in the 10th — his second home run of the game — led Minnesota past Kansas City, 7-6.

A's 7, Blue Jays 5

In Toronto, Mike Heath's one-out single in the eighth drove in pinch runner Rusty McNealy to highlight a three-run rally and spark Oakland's 7-5 triumph over the Blue Jays.

Mariners 6, Rangers 4

In Seattle, Al Cowens and Al Chambers hit back-to-back home runs and Mike Moore and Mike Stanton combined on a six-hitter to lead the Mariners past Texas, 6-4.

Phillies 4, Pirates 3

In the National League, in Philadelphia, Joe Lefebvre singled home Willie Hernandez with two out in the top of the 13th inning to lift the Phillies to a 4-3 victory over Pittsburgh.

Mets 5, Expos 4

In Montreal, Keith Hernandez, who went 3-for-3, singled home the tie-breaking run in the seventh and Tom Seaver allowed six hits over 8⅓ innings to help New York defeat the Expos, 5-4, and end Montreal's four-game winning streak.

Cardinals 6, Cubs 5

In Chicago, Willie McGee singled in the winning run in the top of the 10th off Lee Smith to lead St. Louis past the Cubs, 6-5.

Padres 8, Reds 2

In San Diego, Bobby Brown's three-run homer capped a four-run sixth inning and rookie Kevin McReynolds had two RBIs to lead the Padres past Cincinnati, 8-2. Andy Hawkins (4-6) pitched a four-hitter for the triumph.

Dodgers 3, Braves 2

In Los Angeles, pitcher Alejandro Pena hit a two-run single in the second inning and Pedro Guerrero homered to lift the Dodgers to a 3-2 victory over Atlanta.

Astros 7, Giants 4

In San Francisco, Phil Garner drove in three runs and Joe Niekro combined with Frank DiPino on a six-hitter as Houston defeated the Giants, 7-4.

FRIDAY BASEBALL

Friday's and Saturday's Major League Line Scores

Friday's Results
NATIONAL LEAGUE

St. Louis 010 310 000 1—6 10 1
Chicago 000 200 201 0—5 10 0
Andujar, Allen (5), Rucker (7), Lahti (7), LaPoint (7), Sutter (8) and Porter; Jenkins, Hernandez (5), Lefferts (5), Brusstar (7), Smith (9) and Davis. W—Sutter, 9-9. L—Smith, 4-9. HRs—St.Louis, Hendrick (17). Chicago, Cey (22).

New York 000 210 101—5 10 1
Montreal 101 100 001—4 6 3
Seaver, Orosco (9) and Ortiz; Smith, Schatzeder (7), James (8) and Carter. W—Seaver, 8-13. L—Smith, 4-9.

Philadelphia [illegible]—4 10 1
Pittsburgh [illegible]—3 9 1
Carlton, Holland (8), Hernandez (11) and Diaz, Virgil (9); Candelaria, Guante (8), Tekulve (10), Bibby (13) and Pena. W—Hernandez, 6-4. L—Bibby, 4-12. HRs—Pittsburgh, Morrison (6), Parker (11), Pena (11).

Cincinnati 000 010 100—2 4 3
San Diego 000 004 10x—8 11 1
Puleo, Scherrer (6), Power (7) and Bilardello. Hawkins and Kennedy. W—Hawkins, 4-6. L—Puleo, 5-10. HRs—Cincinnati, Bilardello (7). San Diego, Brown (5).

Atlanta 000 000 002—2 6 1
Los Angeles 020 001 00x—3 5 2
[illegible]

Houston [illegible]
San Francisco [illegible]
Niekro, DiPino [illegible] Calvert (6), McGee [illegible] Niekro, 13-12. L—[illegible] Garner (13). San Francisco [illegible]

AMERICAN LEAGUE
First Game
Detroit [illegible]
Milwaukee [illegible]

HRs—Detroit, Herndon (18). Milwaukee, Cooper (27).

Second Game
Detroit 000 100 010—2 4 0
Milwaukee 000 001 000—1 10 1
Abbott, Gumpert (8), Martin (9), Rozema (9) and Parrish; Sutton, Slaton (8) and Yost. W—Abbott, 6-4. L—Slaton 12-6.

Oakland 202 000 030—7 12 1
Toronto 140 000 000—5 7 3
McCatty, Atherton (9) and Heath; Clancy, Acker (8) and Whitt. W—McCatty, 6-7. L—Clancy, 14-9. HRs—Oakland, Henderson (8), Davis (6).

Boston 004 010 100—6 14 0
Cleveland 000 130 000—4 10 0
Tudor, Stanley (7) and Newman; Heaton, Brennan (5), Jeffcoat (6), Camacho (7) and Essian, Hassey (9). W—Tudor, 11-10. L—Heaton, 10-5. HRs—Boston, Stapleton (9), Evans (21). Cleveland, Fischlin (1), Thornton (16).

Baltimore 010 000 020—3 7 2
New York 200 010 02x—5 11 1
McGregor, T.Martinez (8) and Dempsey; Guidry and Espino, Cerone (9). W—Guidry, 18-8. L—McGregor, 17-6. HRs—Baltimore, Roenicke (17). New York, Griffey (10), Nettles (19).

California 000 000 000— 0 1 5
Chicago 302 402 00x—11 17 0
John, Corbett (3), Brown (6), Hassler (8) [illegible]

Saturday's Results
NATIONAL LEAGUE
[illegible]

AMERICAN LEAGUE
[illegible]

Australia II Obtains International Approval Of Controversial Keel

United Press International

NEWPORT, Rhode Island — Australia II passed a major hurdle Saturday to battling Liberty in the America's Cup Races with an international approval of the boat's measurements and her winged keel.

"Everything went all right," said Australia II spokeswoman Lesleigh Green.

Mark Vinbury, the American member of the International Measurement Committee, said the yacht must go through one final measurement in water before final approval is issued to compete in sailing's most prestigious competition. Vinbury participated in the New York Yacht Club's unsuccessful attempt to oust the yacht this summer with her incredible winning record.

Australia II representatives, who waited at the Cove Haven Marina until the wee hours for the measurement to be completed, said the remaining "flotation" test was routine and they had no doubts the yacht would be in top form Tuesday, the start of the best-of-seven series.

The Australian team, however, prevented the public from seeing the keel, which was kept hidden by plastic curtain while the boat was moved into a shed for examination and the doors locked behind it.

Under the America's Cup conditions, both the defending and challenging yachts must be inspected before the start of the races with a representative of the competing yacht club observing.

CFL Standings

Eastern Division

	W	L	T	PF	PA	Pts
Toronto	[illegible]					
Hamilton	[illegible]					
Ottawa	[illegible]					
Montreal	[illegible]					

Western Division

	W	L	T	PF	PA	Pts
Br. Columbia	[illegible]					
Winnipeg	[illegible]					
Calgary	[illegible]					
Edmonton	[illegible]					
Saskatchewan	[illegible]					

Friday's Result
Saskatchewan 29, Ottawa 28
Saturday's Results
Montreal 30, Winnipeg 16
Toronto 32, British Columbia 14

SPORTS

Navratilova Overwhelms Evert, 6-1, 6-3, for Title

By Jane Leavy
Washington Post Service

NEW YORK — Usually, when she knows she has a match in hand, Martina Navratilova starts singing, "Turn out the lights, the party's over." Saturday, she said, "When they handed me the microphone, I was going to sing, 'Start spreading the news.' But I got too shaky."

In that moment, when New York and the U.S. Open were finally hers, there were no words — just a breath so deep it seemed to suck the air right out of the stadium, then a sigh of relief.

After 11 years of trying and failing and choking on the questions about that lapse in her record, Navratilova had won her first U.S. Open championship the way she wanted to, beating Chris Evert Lloyd, 6-1, 6-3, in a definitive victory.

Navratilova watched nervously as Evert's last backhand sailed long, 63 minutes after the match began. "I wasn't sure it was going to go out," she said. "At that point, your vision becomes a little blurred. I was surprised at how long it really was.

"When it landed, it was just total relief and ecstasy, you could say. Well, I don't know if I'd go that far. You can use any adjective that will fit. Use a good one."

Evert conceded that she had played badly. "I've played a lot of matches where I've been losing, and I hate to lose so much that I switch to another gear," Evert said.

Before she knew she would play Evert in the final, Navratilova said it did not matter

U.S. OPEN TENNIS

whom she played. Some people scoffed, knowing Navratilova wanted to win the one tournament she had never won by beating the woman who had won it six times. Saturday morning, in practice, Navratilova looked over at a reporter and said, "You got your wish." Pause. "So did I."

A fan assured her she would get her wish to win the Open. "I better," Navratilova said.

Navratilova did not lose a set in winning Wimbledon and the Open, and she set a record for the fewest games lost (19) in seven rounds at the Open. Her serve was broken four times in seven matches, once Saturday.

She served and volleyed nearly to perfection. She attacked Evert's first and second serve, making it difficult for Evert to establish any rhythm on her ground strokes (12 unforced errors to 17 winners).

Evert, 0-5 against Navratilova this year (30-24 lifetime), said, "One of the reasons I haven't been as consistent this year with her is because I made a lot of errors.

"She comes to the net and hits a deep approach shot. I have two choices: I can go for a passing shot or I can hit it right to her. If I hit it right to her I'm going to lose the point 90 percent of the time because she has such a good volley."

Navratilova won the first three games in seven minutes. The first set was over in 25 minutes. The crowd at the National Tennis Center was quiet, not knowing quite what to make of it.

Navratilova broke in the first game of the second set as Evert made three errors. At 30-40, she decided to change her tactics and came in. Evert lunged for a first volley, a forehand down the line, but was passed by a second.

For a game, Navratilova wavered. Evert hit out, playing more aggressively. Navratilova double-faulted twice, once for 0-15 and once on game point, as Evert broke for 2-2 and held for 3-2. Evert sensed a vulnerability but said she "wasn't playing well enough to take advantage of it."

Navratilova broke at love for 4-3, as Evert made three errors. In the next game, just as Evert was climbing back into it, Navratilova made a shot that made the difference.

On game point, Evert lobbed, as she had done all day. For the second time in the match, Navratilova ran back under the ball, whirled around and hit a forehand winner down the line. She jumped in the air, her fists pumping.

Unnerved, Evert served and fell behind, 0-40. Three times she saved match points as Navratilova made errors.

A long backhand lob gave Navratilova her fourth match point. A backhand error long gave her the championship and $120,000 for the victory, $500,000 in bonuses, a total of $6,089,756 in career earnings — more than any tennis player ever.

"She's human," Evert said. "We'll see how long her domination lasts."

How long? "Maybe you can compare me to 'M*A*S*H,'" said Navratilova, referring to a long-running television program. "I guess it depends on the ratings."

The Associated Press
Martina Navratilova returning a Chris Evert Lloyd shot on her way to the U.S. Open title.

Connors to Meet Lendl For Rematch in Final

By Dave Kindred
Washington Post Service

NEW YORK — Jimmy Connors and Ivan Lendl, winning easily Saturday, advanced to the men's final of the U.S. Open tennis championship for the second consecutive year.

Lendl, seeded second, put down Jimmy Arias, 6-2, 7-6 (7-3), 6-1 in their semifinal match. Then Connors, the third seed, limped on a sprained little toe through the last games of his victory over Bill Scanlon, 6-2, 6-3, 6-2.

Connors beat Lendl last year in four sets for a championship he first won in 1974 — when Lendl was a 14-year-old boy in Ostrava, Czechoslovakia. Connors has won four U.S. Opens and six other Grand Slam championships.

Lendl has won many titles but never one of the big ones, giving rise to speculation that he doesn't have the right stuff to take the last step to greatness.

"I'm no amateur psychologist," Connors said when someone pestered him to plumb the depths of Lendl's mind. "I have enough problems of my own."

As for Lendl, he said, "No," when asked if he were nervous about Sunday's match.

Nor should he be. As good as Connors has been this year, not losing a set, Lendl has matched him. Connors plays, as he says, for blood, saving nothing back as he slugs winners from every angle. Lendl is cooler, a dour personality, but no less the blunt instrument of pain.

Saturday, with sledgehammer forehands, Lendl dispatched Arias in straight sets. Arias, 19, won the Italian Open earlier this summer, was the ninth seed here and became the youngest semifinalist since the Open first admitted professionals in 1968.

Arias said, "I sensed Lendl getting tight when I broke him" and needed only a single point, at triple set point, to win the second set. "Since he hasn't lost a set and hasn't won a Grand Slam tournament and everybody keeps reminding him of these things, he might have gotten a bit nervous."

Down, love-40, on his serve at 4-5 in the second set, Lendl did, in fact, seem in disarray. He had double-faulted three times in his previous seven service points, twice scowling at the electronic eye that calls the service lines.

Lendl then ripped a forehand past Arias, scored with a first serve, caught the line with a bold forehand and closed it out with a laser-beam ace and another unreturnable first serve to the backhand.

"At 30-40, I hit a risky forehand and caught half the line with it," Lendl said. "And then I got away."

The electric moment of the match came when Arias crashed a forehand into Lendl's wheelhouse. The sound of the dueling forehands was that of small explosions. Lendl's won the war unconditionally. Besides which, he served 11 aces.

That serve carried Lendl in the second-set tie breaker. Arias, who has a 16-5 record in tie breakers, led this one at 3-2 when Lendl suddenly won four straight points, the first two set up by strong serves, twisting Arias into compromising shots.

"I seemed to fall apart," said Arias.

So Lendl moves on to another match with Connors, who holds a 10-3 edge in their meetings the past five years. Since Connors won their first matches, Lendl has won three of the last five, including a straight-set victory at Montreal last month.

Connors left Scanlon muttering Saturday. Scanlon, who defeated the top-seeded John McEnroe in the round of 16, was down, 3-0, before he remembered to take a breath.

"He might not have expected the barrage right away," Connors said. Whether with his serve, which was wicked, or with his thundering ground strokes, Connors turned Scanlon into a loser quickly.

Even limping through the last set, Connors was so much in command that maybe half the estimated 15,000 spectators had left for home by match point.

The Associated Press
STILL FIRST — Steve Cram glanced back at Steve Ovett after crossing the finishing line in a one-mile race at London's Crystal Palce on Friday. Cram, the world 1,500-meters champion, finished half a stride ahead Ovett in 3 minutes 52.56 seconds, well outside the world record of 3:47.33 held by Sebastian Coe. "I hope I have now proved I am number one in the world," Cram said.

Cincinnati Upsets Penn State for 2d Straight Loss

Compiled by Our Staff From Dispatches

STATE COLLEGE, Pennsylvania — Quarterback Troy Bodine led Cincinnati to two touchdowns after a pair of second-quarter fumble recoveries Saturday as the Bearcats upset Penn State, 14-3.

The upset of last year's collegiate champions, after a 44-6 defeat by Nebraska Aug. 29, was the first

COLLEGE FOOTBALL

time Joe Paterno had lost the first two games of a season since he became head coach 17 years ago.

Cincinnati, which gained 207 yards in the first half compared with 57 for the Nittany Lions, took a 7-0 lead with 13:32 left in the second quarter on an 11-yard pass from Bodine to split end Bill Booze. The Bearcats struck again with 11:16 remaining in the half on an 8-yard touchdown run by Don Goodman to make it 14-0.

Cincinnati's first scoring drive followed a fumble by Kevin Baugh on a punt return recovered by Alex Gordon at the Penn State 38. Baugh then fumbled the kickoff after a 27-yard return and the ball was recovered by the Bearcats' Scott Ivy, again at Penn State's 38.

Both scoring drives took five plays, with Bodine throwing three key completions in each drive. Bodine completed 25 of 36 passes for 261 yards.

Penn State's only score came in the third period on a 39-yard field goal by Nick Gancitano after a drive stalled at the Cincinnati 22.

Oklahoma 27, Stanford 14

In Stanford, California, running back Marcus Dupree led Oklahoma's running game that gained more than 300 yards and the Sooners chewed up Stanford, 27-14. Dupree gained 138 yards in 24 carries, and freshman Earl Johnson scored a pair of Sooner touchdowns.

Southern Cal 19, Florida 19

In Los Angeles, Sean Salisbury hit Tim Ware with a 25-yard touchdown pass with no time left, allowing Southern California to salvage a 19-19 tie with Florida in the debut of the Trojans' head coach, Ted Tollner.

Nebraska 56, Wyoming 20

In Lincoln, Nebraska, Mike Rozier ran for 191 yards and four touchdowns to pass I.M. Hipp as Nebraska's all-time leading rusher and lead the Cornhuskers to a 56-20 defeat of Wyoming.

Michigan 20, Washington St. 17

In Ann Arbor, Michigan, quarterback Dave Hall drove Michigan 75 yards, then swept left end for a 4-yard touchdown with 6:01 left as the Wolverines outlasted Washington State, 20-17.

Ohio State 31, Oregon 6

In Columbus, Ohio, Mike Tomczak fired four TD passes to pace the Buckeyes 31-6 trouncing of Oregon. Tomczak completed 13 of 14 passes for 183 yards in the second half.

N. Carolina 24, Memphis St. 10

In Chapel Hill, North Carolina, Walter Black returned a punt 73 yards for a touchdown and tailback Ethan Horton ran for two scores as the Tar Heels defeated Memphis State, 24-10.

Alabama 20, Georgia Tech 7

In Birmingham, Alabama, Ray Perkins, successor to the late Bear Bryant, began his career as head coach with a victory when the Crimson Tide downed Georgia Tech, 20-7.

Notre Dame 52, Purdue 6

In West Lafayette, Indiana, Greg Bell, set up by Allen Pinkett's downfield running, scored three first-half touchdowns and added a third-quarter TD to spark Notre Dame's 52-6 rout of Purdue. Blair Kiel completed 9 of 14 passes for 166 yards and two touchdowns.

Florida St. 40, LSU 35

In Baton Rouge, Louisiana, Kelly Lowrey passed for two touchdowns and ran for three other touchdowns to rally Florida State from a 14-point deficit to a 40-35 victory over Louisiana State. Lowrey hit 19 of 31 passes for a total of 223 yards, while running back Greg Allen — the leading collegiate scorer last year — carried the ball 22 times for 201 yards.

EAST
Boston College 31, Clemson 16
Cincinnati 14, Penn St. 3
Colgate 15, Army 13
Holy Cross 14, Boston U. 3
Pittsburgh 35, Temple 0
Rutgers 22, Connecticut 5
W. Virginia 48, Pacific U. 7

SOUTH
Alabama 20, Georgia Tech 7
Auburn 24, S. Mississippi 3
Florida St. 40, LSU 35
Kentucky 31, Kansas St. 12
Kentucky St. 7, Morehead St. 3
Maryland 21, Vanderbilt 14
N. Carolina 24, Memphis St. 10
SMU 20, Grambling 13
Tulane 27, Mississippi 23
Virginia 27, Navy 16
Wake Forest 13, Virginia Tech 6

MIDWEST
Indiana 15, Duke 10
Iowa 51, Iowa St. 10
Michigan 20, Washington St. 17
Michigan St. 23, Colorado 17
Missouri 28, Illinois 18
Nebraska 56, Wyoming 20
Notre Dame 52, Purdue 6
Ohio St. 31, Oregon 6
Washington 34, Northwestern 0
Wisconsin 37, N. Illinois 9

SOUTHWEST
Arkansas 17, Tulsa 14
Baylor 40, Brigham Young 36
Idaho St. 12, Texas-El Paso 10
Kansas 16, Texas Christian 16
Oklahoma St. 20, N. Texas St. 13

FAR WEST
Air Force 28, Texas Tech 13
Arizona 38, Utah 0
Arizona St. 39, Utah St. 12
Florida 19, Southern Cal. 19
Idaho 43, S. Colorado 28
Oklahoma 27, Stanford 14
Oregon St. 51, Portland St. 14

Arguello Quits After Loss to Pryor

By Michael Katz
New York Times Service

LAS VEGAS, Nevada — It was over now, and Alexis Arguello sat on the hot canvas, his legs crossed at the ankles, his crossed arms draped over his knees, and looked up as referee Richard Steele counted out one of the most distinguished careers in boxing.

The 31-year-old Nicaraguan, winner of 78 fights and 3 world titles, had just been knocked down for the third time Friday night by Aaron Pryor He could have gotten up a third time, but Arguello knew it was over, that Pryor had beaten him decisively for the second time in 10 months in a World Boxing Association junior welterweight championship bout.

"I was standing over him and he was talking to me," said Steele. "Not verbally, but with his eyes and head. He wasn't hurt that bad. He was just beat."

Arguello, knocked down in the first and fourth rounds but back in the fight from the fifth through the ninth when he noticeably tired, remembered last Nov. 12. Pryor had him unconscious in the 14th round then and Arguello knew there was no point going on.

"I was really pushing hard at the end, and I was really hurt,' Arguello said. "I didn't want to risk my life. I was just protecting myself, I wasn't really able to have any effect on what was going on at the end. That's when I knew that was it.

"I had hit Pryor with everything I got, but I don't think I even hurt him. I started wondering, 'What's going on?' I feel good because I fought with a great fighter. He is the fastest man I ever fought, and he's just too strong."

So at 1:48 of the 10th round, a career that had started at 16 in the dirt-floor arenas of Managua officially ended. To believe Pryor, his undefeated career ended at the same time.

Emanuel Steward, who worked Pryor's corner, said "if it weren't for Aaron, Arguello would have made history last night."

The two losses to Pryor were Arguello's most memorable fights. Their meeting last Nov. 12 in Miami was the fight of the year. Friday night's battle was almost as good.

But Pryor, after scoring knockdowns in the first and fourth rounds, did not press his obvious advantages in speed and strength. Arguello was able to hurt him with some body shots in the eighth round.

When it was over, and Arguello struggled to his feet, his longtime trainer, Oscar Seary, embraced him. Arguello looked at his old friend and said, "The carnival is over."

Later, he would say, "It's time to say goodbye to the public, goodbye to boxing, goodbye to my old friend Pryor."

■ Holmes Stops Frank

Larry Holmes closed Scott Frank's right eye, knocked him down and stopped him in the fifth round of a one-sided fight Saturday night in Atlantic City, New Jersey, and retained his World Boxing Council heavyweight championship for the 16th time in an unbeaten career, news agencies reported.

In other title fights, in Tokyo, Jeff Chandler of the United States stopped Japanese challenger Eijiro Murata one minute 54 seconds into the 10th round Sunday night to retain his WBA bantamweight title for the eighth time.

In Seoul, WBC light flyweight champion Chang Chong-ku of South Korea knocked down German Torres, a Mexican resident of Japan, twice in the 10th round and defended his crown with a unanimous 12-round decision Saturday.

The Associated Press
Aaron Pryor standing over Alexis Arguello after knocking him down in the fourth round of their championship fight.

Falcons Upset by Giants in Overtime

Compiled by Our Staff From Dispatches

ATLANTA — Ali Haji-Sheikh kicked a 30-yard field goal 3:38 into overtime Sunday to give the New York Giants a 16-13 National Football League victory over the Atlanta Falcons.

The winning field goal was set up when Mike Dennis returned the overtime kickoff 54 yards to the Atlanta 41-yard-line.

Atlanta had forced the overtime by gaining a 13-13 deadlock with 3:06 left in regulation play when Steve Bartkowski fired a 6-yard scoring pass to Alfred Jackson on a fourth down play and Mick Luckhurst added the extra point. The score was set up by Al Richardson, who intercepted a Scott Brunner pass and returned it 38 yards to the New York 11.

Browns 31, Lions 26

In Pontiac, Michigan, Brian Sipe set a club career record by throwing four touchdown passes, then had to survive a nearly disastrous safety before Cleveland could post a 31-26 victory over the Lions. Defensive tackle Doug English tackled Sipe in the end zone with 4:44 left to make it 28-26 and give Detroit a chance to win on a field goal, but a holding penalty pushed the Lions back to their own 37 — out of field goal range. The four touchdown-passes gave Sipe, a 10-year veteran, 135 in his career to surpass the 134 scoring passes Frank Ryan threw in his career with the Browns.

Bills 10, Bengals 6

In Cincinnati, Joe Ferguson hit wide receiver Jerry Butler with a 14-yard touchdown pass in the third quarter to give Buffalo a 10-6 victory over the Bengals. The Ben-

NFL ROUNDUP

gals, behind backup quarterback Turk Schonert, drove to the Bills' 4-yard line with just two minutes remaining in the game. But the Buffalo defense surrendered just three yards on two runs and an incomplete pass, then stopped fullback Charles Alexander just inches from the goal line on fourth down and less than a yard to preserve Kay Stephenson's first victory as an NFL head coach.

Steelers 25, Packers 21

In Green Bay, Wisconsin, Franco Harris ran for 118 yards and one touchdown and Frank Pollard added 90 yards and another score to lead a punishing ground game that carried Pittsburgh to a 25-21 decision over the Packers. The loss overshadowed a brilliant performance by Packer quarterback Lynn Dickey, who fired three touchdown strikes to James Lofton, and finished the day 13 of 19 passes for 283 yards.

Redskins 23, Eagles 13

In Philadelphia, John Riggins ran 14 yards up the middle for the winning touchdown early in the fourth quarter to lead Washington to a 23-13 victory over the Eagles. The score was tied, 10-10, when Mike Nelms shook off four tacklers on an 18-yard punt return to give the Redskins the ball at the Eagles 43. It took just four plays for Washington to score the winning touchdown, as the Redskins broke their own NFL record with their eighth straight road victory.

Cowboys 34, Cardinals 17

In St. Louis, Ron Springs ran for two touchdowns, Danny White's passing woke up a sluggish Dallas offense and the defense intercepted Jim Hart four times as the Cowboys beat the Cardinals, 34-17. White rallied the Cowboys from a 10-0 first-period deficit to a 17-10 halftime lead with passing that set up Springs' 1-yard touchdown plunge and his 10-yard scoring strike to Drew Pearson. White finished the game with 19 completions in 27 attempts for 234 yards. The Dallas also defense sacked Hart five times. The 18-year NFL veteran, started at quarterback for the Cards due to Neil Lomax's bruised shoulder. He completed his 5,000th career pass, making him only the third quarterback in NFL history, behind Fran Tarkenton and John Unitas, to throw 5,000 passes.

Bears 17, Buccaneers 10

In Chicago, Terry Schmidt scored on a 32-yard pass interception return with 10:46 left to snap a 10-10 tie and lift the Bears to a 17-10 victory over punchless Tampa Bay. Walter Payton caught a 73-yard touchdown pass from Jim McMahon in the second quarter for the longest pass completion ever against Tampa Bay and Bob Thomas kicked a 50-yard field goal at the close of the first half for the Bears. Tampa Bay, shut out in its opening loss to Detroit, tied the score at 10-10 in the third quarter when James Owens' dived over from a yard out.

Piquet Wins Italian Race To Cut Prost's Overall Lead

Compiled by Our Staff From Dispatches

MONZA, Italy — Brazilian Nelson Piquet drove his turbo-charged Brabham car to victory in Sunday's Grand Prix of Italy Formula-One race and narrowed Alain Prost's lead in the world championship standings.

France's René Arnoux, in a Ferrari, finished second at the Monza autodrome and also moved closer to Prost overall.

Prost, driving a Renault, withdrew in the 27th lap and was left with 51 points in the championship standings.

Arnoux now has 49 points overall, two points behind Prost, while Piquet moved into sole possession of third place with 46.

The Brazilian scored his second triumph of the season in the 13th and third from last event of the championship, leading from the third to the 52nd and last lap. American Eddie Cheever, in a turbo-charged Renault, finished third.

Piquet scored his ninth career win in 1 hour 23 minutes 10.88 seconds over 52 laps of the Monza circuit, totalling 301.6 kilometers (186 miles). He averaged 217.548 kph.

Riccardo Patrese, the Italian who started on pole position on the 26-car grid, dropped out after only two laps when the turbo on his Brabham failed. Patrese led from Piquet at the time with the Ferraris and Renaults in pursuit.

Piquet took over the lead and was never headed. He lost only 18 seconds of his 43-second lead when he made his pit stop for fuel and fresh tires at the end of the 30th lap.

Over the final 20 laps, Piquet, the 1981 world champion, protected his tires and engine by easing off the throttle, but he was never in danger of being caught by Arnoux, who finished 10.21 seconds behind the leader.

Italian Formula One Grand Prix
Finals Results

1. Nelson Piquet, Brazil, Brabham, 1 hours 23 minutes 10.88 seconds
2. Rene Arnoux, France, Ferrari, 10.2 seconds behind
3. Eddie Cheever, U.S., Renault, 18.6.
4. Patrick Tambay, France, Ferrari, at 29.0.
5. Elio de Angelis, Italy, Lotus, at 53.7.
6. Derek Warwick, Toleman, at 1:21.2.
7. Bruno Giacomelli, Italy, Toleman, 1:33.922.
8. Nigel Mansell, Britain, Lotus, 1:34.035.
9. Jean Pierre Jarier, France, Ligier, one lap behind.
10. Marc Surer, Switzerland, Arrows, one lap.

World Championship Standings

1. Alain Prost, France, Renault, 51 points.
2. Arnoux, 49.
3. Piquet, 46.
4. Tambay, 40.
5. Keke Rosberg, Finland, Williams, 25.
6. John Watson, Britain, McLaren, 22.
7. Cheever, 21.
8. Niki Lauda, Austria, McLaren, 12 points.
9. Jacques Laffite, France, Williams, 11.
10. Michael Alboreto, Italy, Tyrrell, 10.

Mahaffey Leads Inman, Zoeller by 3 Strokes

United Press International

SUTTON, Massachusetts — John Mahaffey fired a 4-under par 67 Saturday for a 3-stroke lead over Joe Inman and Fuzzy Zoeller after three rounds of a PGA tournament.

Mahaffey, who began the round with a one-shot lead after shooting a 69 Friday, had six birdies on the way to a 201 total, 12-under par. Zoeller bogeyed the final hole for a 69/204. Inman had a 66/204.

Throwing Error in 10th Gives Pirates a Victory Over Phillies

Compiled by Our Staff From Dispatches

PITTSBURGH — Pinch runner Doug Frobel scored from first base on Milt May's single and Garry Maddox's overthrow with one out in the bottom of the 10th inning

SATURDAY BASEBALL

Saturday night, lifting the Pittsburgh Pirates to a 6-5 victory over the Philadelphia Phillies.

The decision, coupled with Montreal's triumph over New York, moved the Expos into first place in the National League East.

Running for Brian Harper, who had reached base on a force play, Frobel was tricked into sliding into second base when he failed to pick up Milt May's line single into center field with one out in the 10th.

Frobel got to his feet and was waved to third by Coach Joe Lonnett. Maddox' throw apparently had him beat to the bag, but third baseman Mike Schmidt, swiping at the throw, failed to come up with the ball, which bounded into the stands to score Frobel.

Expos 10, Mets 9

In Montreal, Tim Wallach hit a 1-1 pitch off Jesse Orosco for a home run in the ninth inning and ended the New York reliever's nine-game winning streak as the Expos beat the Mets, 10-9.

Cubs 8, Cardinals 5

In Chicago, Mel Hall's 16th home run of his rookie season, and second of a game in which he also hit a double and a single, broke a seventh-inning tie and gave the Cubs an 8-5 victory over St. Louis.

Astros 5, Giants 3

In San Francisco, Houston right-hander Jeff Heathcock, making his second major league appearance, earned his first victory as he pitched 7⅓ innings of one-hit relief and gave Houston a 5-3 triumph over the Giants.

Braves 6, Dodgers 3

In Los Angeles, an error by shortstop Bill Russell on Dale Murphy's grounder allowed Brett Butler to score the tie-breaking run as Atlanta won, 6-3, over the Dodgers.

Orioles 8, Yankees 4
Orioles 4, Yankeees 1

In the American League, in New York, Baltimore solidified its hold on first place in the East Division by sweeping a doubleheader from the fading Yankees, 8-4 and 3-1. Pinch-hitter Joe Nolan singled home the go-ahead run and pinch-hitter John Lowenstein's grand slam off New York reliever Rich Gossage capped a six-run explosion in the ninth inning as the Orioles downed the Yankees in the first game. Mike Boddicker allowed six hits over seven innings, leading the Orioles in the second game. The doubleheader was played before the largest regular-season crowd, 55,605, in the history of the renovated Yankee Stadium.

Tigers 4, Brewers 0

In Milwaukee, Juan Berenguer pitched a four-hitter for his first major-league shutout and Chet Lemon drove in two runs with a homer and a sacrifice fly as Detroit defeated the Brewers, 4-0, in a rain-delayed game.

Blue Jays 7, A's 5

In Toronto, Dave Collins' two-out single in the seventh inning scored Lloyd Moseby from second with the winning run to help the Blue Jays defeat Oakland, 7-5.

Indians 8, Red Sox 6

In Cleveland, Toby Harrah drove in three runs with a homer and a two-run single and Pat Tabler hit a two-run home run to help Rich Barnes earn his first major-league victory, an 8-6 Indians' defeat of Boston.

Twins 6, Royals 3

In Minneapolis, rookie Tim Teufel had three hits, Gary Ward went four for four and Tim Laudner hit his fifth home run to lead Minnesota over Kansas City, 6-3. It was the Royals' 12th loss in their last 14 games.

Mariners 4, Rangers 2

In Seattle, Bryan Clark's pitched a four-hitter as Pat Putnam hit a two-run homer to lead Texas over the Mariners, 4-2.

White Sox 7, Angels 6

In Chicago, Harold Baines homered with two out in the bottom of the 12th inning to give the White Sox a 7-6 victory over California.

Major League Standings

NATIONAL LEAGUE

EAST	W	L	Pct.	GB
Montreal	72	67	.518	—
Philadelphia	72	68	.514	½
Pittsburgh	72	69	.511	1
St. Louis	71	69	.507	1½
Chicago	63	78	.447	10
New York	59	82	.418	14
WEST				
Los Angeles	82	60	.577	—
Atlanta	80	62	.563	2
Houston	75	66	.532	6½
San Diego	71	72	.497	11½
San Francisco	67	76	.469	15½
Cincinnati	64	79	.448	18½

AMERICAN LEAGUE

EAST	W	L	Pct.	GB
Baltimore	84	55	.604	—
Detroit	80	62	.563	5½
New York	79	62	.560	6
Milwaukee	79	63	.556	6½
Toronto	78	66	.542	8½
Boston	68	74	.479	17½
Cleveland	64	78	.451	21½
WEST				
Chicago	83	59	.585	—
Kansas City	66	75	.468	16½
Oakland	67	77	.465	17
Texas	66	77	.462	17½
California	64	78	.451	19
Minnesota	61	82	.427	22½
Seattle	55	86	.390	27½

Hunger and Satiety

Scientists Discover the Intricacies of Appetite

By Jane E. Brody
New York Times Service

MINNEAPOLIS — People commonly start eating when their stomachs growl and stop eating when they feel full. The process seems simple enough, but the latest research on appetite control indicates that hunger and satiety actually come as the culmination of an internal chemical battle so complex that it is often hard to predict the winner.

Researchers are discovering that so many biochemical signals contribute to determining when, what and how much people eat, that they doubt whether a single all-powerful mechanism of appetite control will ever be found to help solve most weight or health problems.

As a clearer picture emerges of the intricate chain of chemical commands that govern hunger, satiety and eating patterns, researchers find that some people have specific defects in appetite regulation that might be corrected by individualized therapy.

Using different approaches, it may be possible, for example, to reduce the appetite of diabetics and ever-hungry bulimics and to stimulate that of cancer patients and people with depression or anorexia nervosa, which is characterized by an aversion to food.

A different approach may help those who become overweight because they crave carbohydrates or eat in response to stress. It may be possible, for example, to lower the caloric value of foods people eat by curbing a chemically determined craving for high-calorie carbohydrate — rich foods, such as candy, cookies and cake. One such treatment, a drug called naltrexone, which blocks the effects of the body's own opiatelike chemicals, is now being tested at six medical centers, including the Veterans Administration Medical Center here.

Scientists here have also shown that people who eat when under stress may be responding to the effects of internally produced opiates, which activate the feeding drive.

According to the latest findings, the driving force that governs food consumption represents a balance between a food-seeking, or feeding, system and a satiety system that says "enough." When the cascade of opposing chemical reactions is operating properly, the individual is able to maintain a stable, and presumably normal, body weight without effort.

The studies suggest, however, that for people who are obese the exercise of "willpower" in weight control often means consciously opposing an inner chemical drive that says "eat, eat" or that fails to say "stop eating."

According to one leader in the field, Dr. John E. Morley of the Minneapolis Veterans Administration Medical Center and the University of Minnesota, the new findings indicate that evolution built into animals an elaborate "fail-safe" system of appetite regulation to assure survival of the various species. If one part of the system fails to operate properly, another takes over to prevent starvation or self-destructive eating.

"If living organisms were as prone to breakdown as motor vehicles, it would be hard to envisage the survival of any species," Morley said in an interview. "If one part of a car breaks down, the car stops and you wait by the side of the road until someone comes to fix it. If the eating system worked that way, we would die. Instead, if something goes wrong with one part of the system, another takes over."

Theories of appetite control advanced over the last quarter century have involved such factors as the blood levels of sugar, insulin or fatty acids and the effects of chemicals produced in the intestines on a tiny regulatory portion of the brain called the hypothalamus. Recent studies indicate that these theories *tell only a small part of a very complex story.*

Though the hypothalamus does seem to orchestrate feeding and satiety signals, research here and elsewhere has shown that it does not act alone. Rather, other parts of the brain and outlying nervous system, as well as substances within the digestive tract and the characteristics of the food itself, all combine to influence appetite and eating.

The studies also indicate that appetite control is chemically intertwined with sensitivity to pain and the regulation of body temperature in ways that would enhance survival. For example, one morphine-likesubstance that triggers feeding also blunts perception of pain; under its influence, an animal would be more likely to risk injury to find food.

Similarly, since eating increases heat production in the body, a biochemical link between appetite and temperature regulation would help to assure a more stable body temperature. This chemical connection is undoubtedly why people often lose their appetites in hot weather but feel hungrier when it is cold.

Morley's collaborator, Dr. Allen S. Levine, a chemist and nutritional scientist, pointed out that "only recently has a food supply been readily available. *In the course of evolution,* animals needed a food-seeking system as a driving mechanism to help them survive," Levine said. "A satiety system alone was not enough."

He noted that the Chinese hamster lacks the classic balancing systems. Since this animal lives in *the desert, where food is hard to come by, it has no* satiety system. Instead, when it finds food, it keeps eating and stores whatever it can get to sustain it through the lean times ahead.

A similar mechanism may exist in some people, such as the desert-dwelling Pima Indians of Arizona, *who have survived long cycles of feast and famine.* But with today's stable food supply, they tend to become very obese and diabetic at an early age.

In mammals food intake is regulated by a delicate balance between chemicals called monoamines and neuropeptides, as well as nutrients in the blood, integrated but not wholly controlled by the hypothalamus in the brain. However, Morley insists, the long-standing belief that one part of the hypothalamus acts as a feeding center and another the satiety center is now known to be "a gross oversimplification." Other brain pathways and signals from outside the brain transmitted by the vagal nerve also kick in, he said. Undoubtedly more await discovery.

Internally produced substances now thought to trigger feeding include dopamine, alpha-agonists and the opiate-like enkephalins, endorphins and dynorphin. Feeding is inhibited by such agents as serotonin, beta-agonists, cholecystokinin, bombesin, calcitonin, thyrotropin-releasing hormone, corticotropin-releasing hormone, prostaglandins, glucagon, *somatostatin, insulin,* glucose (blood sugar), fatty acids and amino acids. These various chemicals come from the brain, the digestive tract, hormone-producing glands, and from food itself. Some seem to act directly, and others indirectly, to start or stop eating.

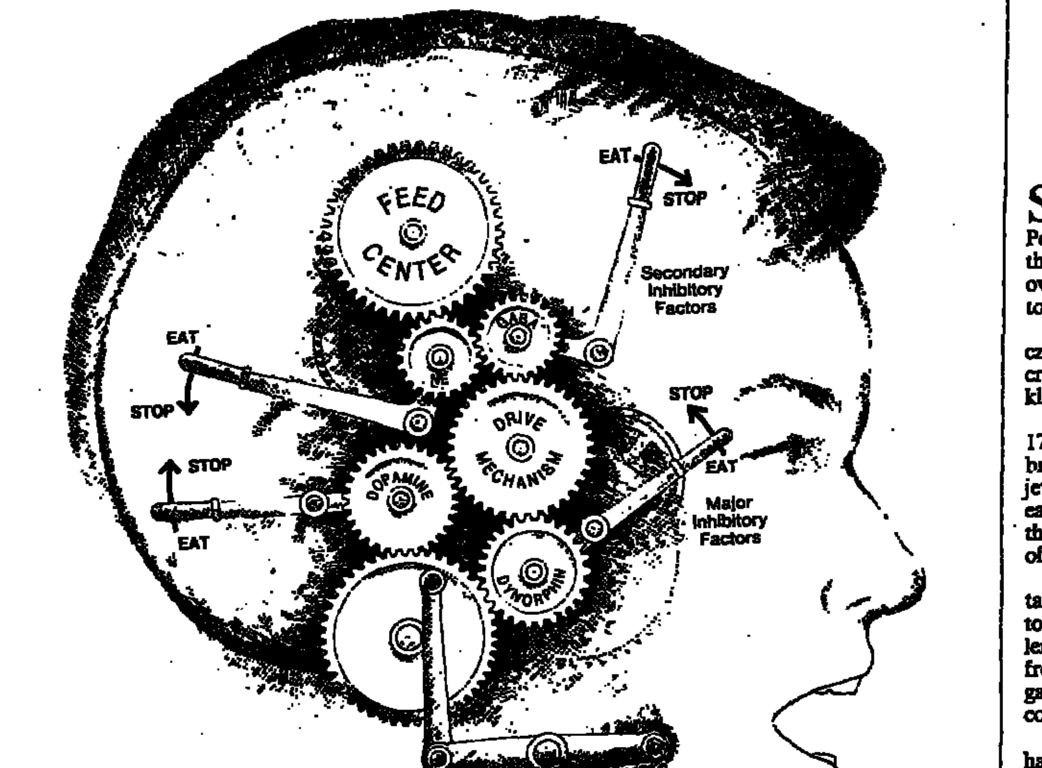
Other studies have shown that the level of the satiety agent serotonin, a brain chemical that transmits nerve messages, is influenced by the type of foods consumed. Researchers at the Massachusetts Institute of Technology showed that foods high in protein lower the serotonin level in the brain, whereas those rich in carbohydrates raise it.

The complexity of the control signals is illustrated by the effects of a substance called GABA, for gamma amino butyric acid. Alpha-agonists stimulate the release of GABA from a part of the hypothalamus. GABA, in turn, stimulates feeding by interfering with the activity of serotonin-containing brain cells and suppressing the release of such important feeding inhibitors as prostaglandins, calcito*nin and corticotropin-releasing factor. In other* words, GABA stimulates food consumption by inhibiting several inhibitors of feeding.

The recently identified appetite inhibitor, corticotropin-releasing factor, or CRF, is produced in some people in response to stress. Morley and Levine said CRF might be what causes patients with anorexia nervosa and depression to lose their appetites. Both have an abnormality in a hormonal feedback system that leads to high levels of this factor. The researchers also suggested that two peptides often released from cancer cells, bombesin and calcitonin, might be what causes cancer patients to lose their appetites.

As for seeking the single holy grail to cure obesity, the Minnesota researchers say the search is in vain. "Obesity may well have many different subtypes, each with its own appropriate management," they wrote in The Lancet last winter.

Still, they say, as new knowledge *unfolds* at an ever-increasing rate, "the day is not far off when we will be able to control the appetites of many more people" than is now possible.



Bohdan Osyczka, The New York Times

Human appetite is thought to be regulated by a delicate chemical balance between the part of the brain that stimulates the basic feeding mechanism and the various chemicals that suppress it. In this artist's conception, appetite is represented as a clockwork mechanism that drives the food-seeking impulse. When certain chemicals are present, biological "switches" are thrown, setting off or blocking appetite impulses.

SPA POSTCARD

An Identity Problem

By Ethan Bronner
Reuters

SPA, Belgium — The Roman naturalist Pliny marveled at it. Peter the Great, Victor Hugo and the Duke of Wellington trekked over mountains in search of it. Yet today few have heard of it.

Spa water, the one-time elixir of czars and artists, has an identity crisis. It is trying to regain the sparkle of its past.

Its fame as a cure-all from the 17th through the 19th centuries brought the era's equivalent of the jet set from all over the continent, earning this fading Belgian resort the sobriquet of "aristocratic café of Europe."

But the crumbling mansions and tarnished brass fountains of the town testify eloquently to the fickleness of fashion. The upstart water from neighboring France has relegated Spa to the category of a common drinking water.

Spa is the original one. The name has entered English and even Japanese as the word for a city of waters. Yet when a visitor here was taken to lunch recently by the president of its producers, Spa Monopole, the waitress offered French bottled water instead.

The company continues to rely on its steady clients, running a clinic that looks as if it came straight out of a Thomas Mann novel. In a grand old neo-baroque building here, garish fountains spew forth Spa water while the elderly rich perspire away their ills in shiny brass tubs filled with mud and bubbles.

Surrounded by pastel fruit frescoes and marble nymphs, with the wallpaper peeling slightly, the visitor catches a glimpse of former glory.

But Spa Monopole is eager to take advantage of the recent fashionable emphasis on health.

"We have the healthiest water anywhere, some 30 times lower in sodium than any other," says President Guy du Bois. "But it has not been easy to get good advertising."

In a plodding, cautious way Spa has sold its wares, some 370 million litres (97 million gallons) last year, mostly in Belgium and the Netherlands.

Its pitch has often exhibited its annoyance over the jungle of modern advertising: "Spurning vulgar publicity, Spa Monopole has preferred to establish its reputation on the basis of the high quality of its products," says one brochure.

Now, in an attempt to inject new life into its image and appeal to the under-60s, the company has declared this year to be the 400th anniversary of the export of Spa water and has embarked on a major sales campaign.

In 1583, reference was made to the transport of Spa to France's King Henry III. So with cork-popping and ribbon-cutting, Spa has inaugurated a new factory, produced a glossy film about itself and is looking hard at the foreign market.

It has bought a spring in Wales, will buy another in the state of Virginia and, in a quiet step away from tradition, has begun bottling Coca-Cola for Belgium and France.

It still sees the lure of health and long life as its selling points and has invited leading health authorities to say so.

Du Bois believes the emphasis on health, the introduction of new products and prudent investment abroad will ultimately triumph over the pushier style of Spa's rivals.

"We've been selling abroad for 400 years and we've still got another 400 ahead of us," he said.

Obstacle Lifted in South-North Walk

United Press International

ANCHORAGE, Alaska — An Englishman who walked 19,700 miles (31,700 kilometers) from the tip of South America to the Arctic has won permission from an oil *company to go the last six miles.*

George Meegan, 30, was first barred from crossing the Prudhoe Bay oil field. Arco Alaska, which operates half the field, had said the frozen tundra was too dangerous, but the state gave Meegan permission.

Meegan, of Rainham, England, said he made the trip because he wanted to do something different. *Of his hike from Tierra del Fuego,* Argentina, to the Arctic camp of Deadhorse, Meegan said, "The most striking thing is the smallness of the planet."

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